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**DEPARTMENT OF DEFENSE APPROPRIATIONS FOR
FISCAL YEAR 1995**

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS**

SECOND SESSION

ON

H.R. 4650

**AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1995, AND FOR
OTHER PURPOSES**

PART 1 (Pages 1-650)

**DEPARTMENT OF DEFENSE
Department of the Air Force
Department of the Army
Department of the Navy
Joint Chiefs of Staff
National Guard and Reserve
National Guard Bureau
Office of the Secretary of Defense**

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**DEPARTMENT OF DEFENSE APPROPRIATIONS
FOR FISCAL YEAR 1995**

TUESDAY, MARCH 1, 1994

**U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.**

The subcommittee met at 2:30 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Hollings, Johnston, Leahy, Bumpers, Lautenberg, Stevens, Cochran, Specter, Domenici, and Bond.

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY OF DEFENSE

**STATEMENT OF HON. WILLIAM J. PERRY, SECRETARY OF DEFENSE
ACCOMPANIED BY DR. JOHN HAMRE, COMPTROLLER**

OPENING STATEMENT OF SENATOR INOUE

Senator INOUE. This afternoon we begin the defense appropriations subcommittee review of the fiscal year 1995 appropriation request. The request before this subcommittee is for \$244,634,344,000. This amount is about \$4 billion more than the subcommittee provided in fiscal year 1994. If approved, it would be the first time in this decade that the amount appropriated for these functions increased.

We are pleased to have the Secretary of Defense, Dr. William Perry, here with us to discuss this request for appropriations. This will be Dr. Perry's initial appearance before the subcommittee as Secretary of Defense, but we are certain that it will be the first of many such appearances in this capacity.

In conjunction with funds requested for military construction, DOD's budget request before the Congress is for \$252.2 billion. The estimated outlay effect of this request is \$259 billion in fiscal year 1995. The outlay level is \$8.2 billion below the level estimated for fiscal year 1994.

So, Mr. Secretary, while your budget shows a very modest increase in actual spending, we are still on the decline. This large cut in outlays means that our defense industries will once again experience deep cuts in their workload in the coming year.

As we begin our examination of your request, I would like to share with you my initial thoughts on the defense budget as pre-

sent to the Congress and what it might mean for our Nation's defense.

In summary form, the plan that the President has forwarded represents a balanced proposal for defense this year. The budget protects readiness by safeguarding operating tempos and depot maintenance requirements. Increases are also included for recruiting, and a modest 1.6-percent pay raise provided for military personnel.

The budget provides a very modest increase for research and development, but funding for procurement once again is requested to decline. In part this approach recognizes the rapid modernization which was accomplished in the 1980's; however, it also raises serious questions about the ability to reconstitute a modernized force if necessary in the future.

The U.S. defense industrial base is in jeopardy in many areas. Your plan would address one area, the nuclear submarine construction. However, it provides no such safeguard for the stealth bomber industrial base. It increases the risk for the helicopter industrial base, with the termination and closeout of H-60 series helicopter production for the next 2 years.

While your statement asserts that we will begin to recapitalize the force in the future, how can we be assured that the industrial base will be available to achieve this objective? Moreover, your plan I believe shows a future shortfall of \$20 billion, and no one knows what additional costs lie ahead.

DOD is being given new funding requirements and is expanding existing ones in peacekeeping, environmental cleanup, and defense conversion. In this constrained budget, how will the Defense Department have sufficient resources to provide for the modernization programs that you plan—for example, the F-22, F-18E/F, the V-22, the new attack submarine, amphibious ships, the Comanche helicopter, the Apache Long Bow—when each of these will seek production funds at nearly the same time?

Needless to say, Mr. Secretary, you have a very difficult time ahead of you. The budget continues to be constrained, and many urgent requirements must be funded. The approach offered may be the right one for the time because it protects today's readiness, but it runs the risk of jeopardizing the future.

So the committee and I look forward to your comments on this and other subjects today as they relate to your fiscal year 1995 budget for defense appropriations.

Mr. Secretary, once again welcome to the hearing, and you may proceed as you wish, sir.

Secretary PERRY. Thank you, Mr. Chairman. I do have a prepared statement which I would ask to be included in the record.

Senator INOUE. Without objection, it will be made part of the record.

BUDGET REQUEST

Secretary PERRY. This budget we are presenting to you today is for fiscal year 1995, but we also have prepared a defense plan for fiscal years 1996 through 1999. In short, we have a plan here for the rest of this century.

A budget is, of course, an aggregation of programs and dollars. But I want to present it to you in a different way today in this

hearing. I want to talk to you about the budget as a powerful tool through which the Secretary implements defense strategy, because through this budget process I have effectively set my priorities for the Department.

Therefore, I want to talk today about how this budget reflects the strategy we have adopted, and I want to share with you my priorities and lay out the rationale for my choices, for the budget truly is about choices.

In this presentation I will accept a top line for the budget and talk to you how I made the choices within that top line. I could alternatively talk to you about what I would do if I had more dollars or fewer dollars, but instead I am going to accept the top line and talk to you about choices within that top line.

CHOICES WITHIN THE TOP LINE

Some of the choices are very difficult indeed, for there is not enough money in this budget to cover every option we would like to pursue, to hedge every bet. Therefore, I do expect discussion, perhaps even challenges, and in this hearing we can open the debate. My hope in this presentation is that I frame the issues for you properly so we can see what the choices are, what the reasons for those choices are, and you can make your own judgments about the choices we made and the reasons for them.

FISCAL YEAR 1996 BUDGET

- Implements the Bottom-Up Force Structure
- Protects a Ready-to-Fight Force
- Redirects Modernization Program
- Starts Doing Business Differently
- Reinvests Defense Dollars

CHART 1

FACTORS GUIDING DOD BUDGET CHOICES

I want to start off, if I may ask you to look at the first chart, because on this chart I have listed the five principal factors which went into our determination of the budget and which guided the choices we made, and my presentation today is organized into discussion of each of those five elements, the first of which is that this budget implements the bottom-up force structure.

I present that to you now. I will describe to you in a few minutes what the implication of that is relative to what the fiscal implication of that implementation is.

Second, I will argue that it protects a ready-to-fight force. In that regard, I should tell you that the first document that we put out preparatory to this budget was the guidance, which the Secretary sends to each of the services on the basis of which the service Secretaries prepare each of their service budgets. In this document, for the first year we stated that readiness would be the first priority of each of the services in putting their budgets together.

Then, to underscore that point, we said if any other guidance we give you in this document is in conflict with your judgment on

readiness you should decide the issue in favor of readiness. You will see as I go through this document today how that affected this budget both for the positive aspects of it and the negative aspects of including that sort of guidance in the budget.

The third is that this budget is a major redirection of the modernization program. I will explain to you the positive aspects of our modernization program and also the very worrisome aspects. This greatly reduced modernization program has a negative impact on the defense industrial base, harking back to the point, Mr. Chairman, that you made in your opening comments.

The fourth thing that I will describe to you today is how we have to start doing business differently in the Defense Department. This is not just a matter of choice on my part as the Secretary; we are cutting the budget's top line value in the mid-1980's 40 percent by fiscal year 1996, more than a 40-percent cut in real terms.

It is imperative that we do business differently. We cannot maintain the infrastructure and the overhead base that went with the fiscal year 1986 budget in the fiscal year 1996 program.

Finally, I will explain to you how we are reinvesting some of the defense dollars. The major part of them are being reinvested in other parts of the Federal budget and reducing the deficit. A small part of them are being reinvested within the defense budget itself.

FORCE STRUCTURE REDIRECTIONS

Let me go immediately, then, to the discussion on force structure.

FORCE STRUCTURE				
	Cold war base 1990	Base force	1995	BUR plan
Land forces:				
Army Active divisions	18	12	12	10
Army Reserve component divisions	10	8	8	+5
Marine Corps (3 Active/1 Reserve)	4	4	4	4
Navy:				
Ship battle forces	546	430	373	346
Aircraft carriers:				
Active	15	13	11	11
Reserve	1	1	1
Navy carrier wings:				
Active	13	11	10	10
Reserve	2	2	1	1
Air Force:				
Active fighter wings	24	15.3	13.0	13
Reserve fighter wings	12	11.3	7.5	7

CHART 2

On chart 2 I have reflected four columns here, representing different elements of the force structure, beginning with the cold war base in 1990, and that lists, for example, the number of divisions, the number of ships, the number of air force wings, and so on.

Let me take just one of those and go across horizontally, for example, active divisions in the Army. That shows that during the

cold war, in 1990, we had 18 Army active divisions. Already in the Bush administration Secretary Cheney was beginning to reduce the force to accommodate the geopolitical changes that went with the cold war, which was clearly in the process of winding down at that point, and he proposed in his base force to go to 12 active Army divisions.

The last column reflects the "Bottom-Up Review" plan, which is to take the divisions down to 10, and the intermediate column is the number of divisions reflected in the 1995 budget which we have submitted to you, which says that we are on our way from 18 to 10. We are at a way station here of 12 divisions in fiscal year 1995.

So the Army still has, even after this budget drawdown, two more divisions to take out of the force to reach the "Bottom-Up Review" plan.

The Navy, on the other hand, had 546 ships in 1990. Secretary Cheney's plan brought them down to 430. The "Bottom-Up Review" takes them to 346. And we are almost there in the fiscal year 1995 budget. Fiscal year 1995 takes them to 373 ships.

Similarly, if we go down to the Air Force active fighter wings, there were 24 of them in 1990, the base force took them down to a little over 15, the "Bottom-Up Review" calls for them to go to 13, and the Air Force already reaches that goal in fiscal year 1995. You notice the different judgment in each of the three services on how fast to implement the "Bottom-Up Review" force structure cutting, with the Air Force philosophy being take the cuts up front so that you get the savings as quickly as possible, and the Army, on the other hand, delaying the cuts as long as they can, and you have a different strategy represented there by those services, with the Navy somewhere intermediate between those two positions.

MANPOWER LEVELS (End Strengths in thousands)

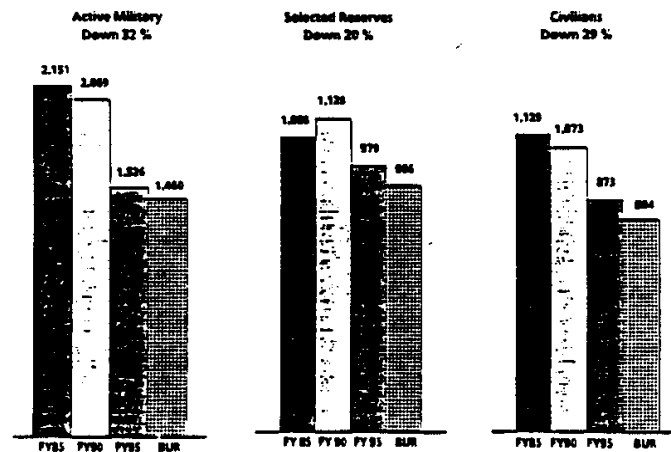


CHART 3

DECLINING PERSONNEL LEVELS

If you go to the next chart, you will see the effect of that force structure on the personnel levels. The active military forces are going down 32 percent, from a high of 2.15 million in fiscal year 1985. By 1990 they were down only to 2.07 million. The "Bottom-Up Review" calls for them to get down to 1.46 million. And you can see that we will almost be there in the fiscal year 1995 budget submitted to you today. We will be down to 1.53 million.

So on this basis we only have 1 more year of force reduction in the active military after the drawdown implemented by this budget.

Just for comparison, I call your attention to the column on the right, which shows the comparable drawdown in civilians in the Defense Department. That calls for a 29-percent drawdown. Again, if you look at those last two columns, you will see that we are almost at the end of the drawdown in fiscal year 1995.

The fact that we are almost at the end of this personnel drawdown is good news, both for the active military and the civilians, because the process of getting down there is very difficult and very traumatic indeed. It causes a turbulence which, in and of itself, has a negative effect on readiness. So we will be very happy to get this drawdown completed so that we can operate from a more stable size in manpower.

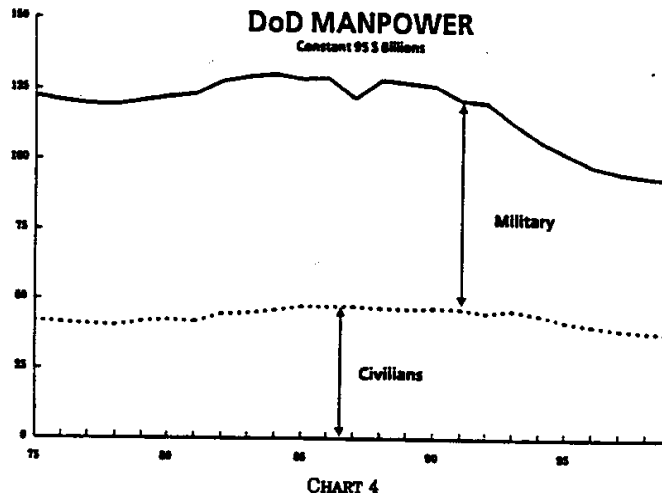


CHART 4

PERSONNEL COSTS

Let me go now to chart 4, and that converts the personnel figures you have seen into fiscal figures. Now I have reflected from 1975 to the end of the century the personnel costs that are historically reflected from 1975 to 1994, and then projected in this 5-year defense plan which I have before you today how the costs will decrease.

You will notice that from essentially 1975 to 1990 in constant dollars the personnel costs were essentially the same, and that the reduction in personnel costs really only began in fiscal year 1993 seriously. And from fiscal year 1993 to the end of the decade we are getting a substantial reduction that amounts to about \$30 billion in reduction in personnel cost measured in constant 1995 dollars.

So one of the big increments of savings reflected in this budget is approximately \$30 billion in personnel cost reduction, both military and civilians. That comes from the force structure reduction which is driving this whole fiscal savings.

PRIORITY ON READINESS

- While Force Structure Is Down 7 Percent, O&M Funding Increases 5.6 Percent
- Budget Fully Funds Service Optempo
- While Weapons Inventories Shrink, Depot Maintenance Funding Increases 20 Percent
- Steady Budget Levels for Recruiting

CHART 5

PRIORITY ON READINESS

Let me go from this chart to one on readiness, because some of these dollars saved in personnel costs are being carried over into readiness. I want to stop at this point to observe that the last time I was in the Pentagon, which was in the mid-to-late 1970's, we were presiding over a budget in which a very different choice was made.

In the late 1970's, the choice was made, consciously and explicitly made, that we would maintain force structure, the price for maintaining force structure with a budget about equal to the budget I am presenting you today was a dramatic cut in O&M funds and, therefore, a dramatic reduction in readiness. That is what led to the hollow Army of the late 1970's. It was the maintaining of force structure and the cutting of the O&M.

Here, for better or for worse, we have made an opposite, very different judgment from that. We have decided that we would cut force structure, but we would increase the funds for readiness.

Now this next chart gives you some indicators, only very crude indicators, to make the point I wanted to make to you. I want to make a caveat before I start discussing readiness; there is no single number or small set of numbers, fiscal numbers, which capture our investment in readiness properly. The O&M account, which we are talking about here, is a very large and complex account, some of which items affect readiness and others of which do not.

But, just to give you a very crude measure, I observe on the first line there that the force structure is down 7 percent. O&M supports the force structure, so you might expect O&M funding to go down with it. Instead, we have O&M funding increasing almost 6 percent. I will say more about that point later, but again I repeat the caveat, only a very crude indicator. You cannot from these two

numbers alone come to an informed judgment about how ready our forces will be in the future.

The second one is perhaps more indicative, and that is the services requested funds to maintain their operational tempo. This budget gives them full funding; it reflects 100 percent of the funding which they requested for maintaining operational tempo. Therefore, we might reasonably expect this budget to support that component of readiness.

The third is also a very specific subcomponent of the O&M fund, which is the amount we spend on depot maintenance funding. This has more to do with the readiness of equipment as opposed to the readiness of people. And that says that, even though we have fewer weapons in the inventory in fiscal year 1995 than the previous years, we are budgeting an increase of 20 percent for the funding of the "Depot maintenance" account.

SUPPORT FOR RECRUITING

Finally, as you indicated in your opening comments, Mr. Chairman, we are maintaining a steady budget level for recruiting. A digression for the moment on recruiting. Even though the force is decreasing in size, we are continuing to bring new young people in at the bottom end of the force. I might say that this is a decision, not only an appropriate decision for the military to make, but every institution, every business that I know of that tends to stay in business for a long time, when they are in a drawdown, when they are in a decline in personnel, they continue to maintain recruiting and bringing in new young people at the bottom. We have maintained that same judgment.

Last year, in calendar 1993, we brought in almost 200,000 new recruits into the military forces of the United States. I would also say parenthetically to that that in terms of the quality of the recruits, as measured by percentage of high school graduates and as measured by the intelligence tests we give on entry, this was the second best year in quality in our whole history.

So we are maintaining a quality force. We are maintaining recruiting. I appeal to you, though, to protect and support this budget through recruiting. That is a critical factor in being able to maintain the quality of the force.

The one dark cloud on the horizon in recruiting is we have substantial statistics which indicate a decrease in the propensity to enlist. That is why the recruiting budget is so important. Part of this decrease in propensity to enlist comes because many young people believe the Army is no longer recruiting, no longer bringing new people into it in the face of the drawdown.

So that is one chart on readiness. Let me go to the next chart, which puts it in a different way.

ANNUAL OPERATING RESOURCES PER UNIT (1993=100)			
	Fiscal year—		
	1993	1994	1995
Army: Combat battalions	100.0	102.5	114.0
Navy: Ships	100.0	108.1	110.7
Air Force: Primary authorized aircraft	100.0	109.3	111.7

CHART 6

OPERATING RESOURCES PER UNIT

This again, same caveat, is an oversimplification of a complex issue. But it takes the annual operating budget in fiscal years 1993, 1994, and 1995 and divides that number of dollars by the units, operating units. In the case of the Army, I take combat battalions. And you can see from fiscal year 1993 to fiscal year 1995 the operating resources allocated to them go up 14 percent. In the case of the Navy, ships go up 11 percent; in the case of the Air Force, funding for authorized aircraft goes up 12 percent.

This is indicative, I believe, of the increased emphasis on readiness. When we told the services to put readiness as the first priority, this is the way they reflected that guidance in the preparation of the budget.

OPERATION AND MAINTENANCE—COSTS PER MILITARY END STRENGTH (1993=100)			
	Fiscal year—		
	1993	1994	1995
Army	100.0	96.9	109.4
Navy	100.0	104.5	109.1
Air Force	100.0	107.3	117.1

CHART 7

O&M FUNDING PER PERSON

Finally the last chart makes the same point in a slightly different way. This shows you, again in constant dollars, fiscal years 1993 to 1995, taking the entire O&M account, warning again O&M has many things besides readiness in it, but it also has readiness in it, and now the Army has increased over a 2-year period 9 percent in real dollars for O&M per person in the Army. The Navy also was 9 percent, and the Air Force 17 percent.

Each of the services reflected their priority of increasing funding. The Air Force took the guidance most seriously of all.

BUR—ESSENTIAL MODERNIZATION PROGRAM SUSTAINED

- Sustain Strong Science and Technology Base
- Continue Investment in Next Generation Weapon Systems
- Refocus Ballistic Missile Defense Program
- Sustain Strong Intelligence Program
- Preserve Key Elements of Industrial Base That Would Otherwise Disappear

CHART 8

MODERNIZATION

As I go from readiness, let me talk about the modernization program. So far I have described to you two accounts, one of which has a reduction of about \$30 billion over the 1990's, another of which is actually increasing over the 1990's. And now where does this 40-percent decrease in the defense budget come from? It comes from the modernization programs.

First of all I will give you the positive side of the modernization program. These are the elements that Dr. Deutch, our Under Secretary for Acquisition and Technology, told his team and told the services he wanted to protect. He wanted to sustain a strong science and technology base, and you will see in this budget a strong commitment to maintaining science and technology base, even modest increases in many important components of that base.

Second, he did want to continue investment, and here I would use the word "selected," in a few selected next-generation weapons systems. You will see these in the budget. The F-22, the C-17, the V-22 are examples of new generation programs that are being developed even in the face of this drawdown.

The third line here has to do with the ballistic missile defense program. Here he has taken money out of that part of the program which is organized around a space-based defense system or a system to defend the continental United States, both of which has major decreases in them, but he has increased the funds which have been allocated to the theater missile defense system and is moving toward the development and production and deployment of a theater missile defense system.

The last two have to do with maintaining a strong intelligence program even in the face of the drawdown. The importance of knowing what is going on in the world is even greater than it was in the past and, therefore, we have to sustain intelligence.

And we have some things in here to preserve key elements in the industrial base that would otherwise disappear. The most obvious and the most controversial of these has to do with the SSN-23, the Seawolf submarine, and I will be happy to answer any questions you would like to ask about why we have put the Seawolf submarine in this budget.

The short, simple answer to that is because we wanted to preserve the capability for the United States to build nuclear submarines, and we thought this was the most economical way to do that.

Now, this is the positive side of the modernization program, and the next chart shows you the rather dramatic negative side.

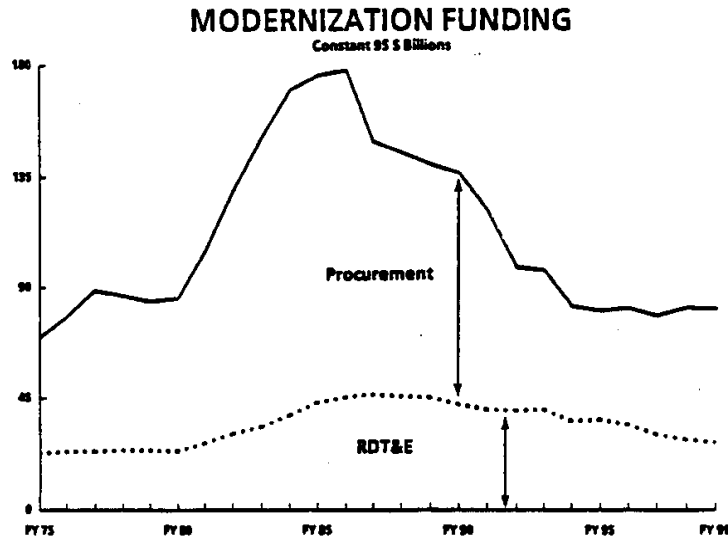


CHART 9

MODERNIZATION FUNDING

Here we have reflected the modernization budget of the Defense Department from 1975 to the end of the century in constant 1995 dollars. The bottom line, the dotted line, shows the R&D account, which has a modest increase in the 1980's and more or less sustains that increase through the first half of the 1990's and some slight decrease toward the latter half of the 1990's. Even by the latter half of the 1990's you will see that the amount we are spending in real terms in R&D is higher in the latter half of the 1990's than it was during any time during the 1970's.

So, to put that another way, the R&D budget we have all through the 1990's is greater than the R&D budget we had at the time we developed all of the weapons systems which were later used in Desert Storm to such great advantage. So we have a baseline of experience that says that this size R&D budget will sustain a healthy R&D program.

On the other hand, we have made dramatic and even, some would say, Draconian reductions in our procurement budget, which goes from a peak in fiscal year 1986 down to a bottom number in fiscal years 1994 and 1995, the year we are in now and the year we are now projecting to you.

The decrease in funding over that period is almost \$100 billion. So this is where the defense budget is being hit. This is the choice we made, faced with how to make a 40-percent decrease in the de-

fense budget, which amounts to about \$100 billion. This is where we are taking it. We are taking it out of the procurement account.

Only a modest amount out of force structure, and none at all out of readiness, and none at all out of R&D; we are taking it out of the procurement account.

Now the second point I would make to you about that is that we can get away with that for several years, maybe 4 or 5 years. And this budget reflects a very low level of procurement for about 5 years. But if you look carefully at that curve you will see it starts to peak up, starts to incline upward again in fiscal years 1997, 1998, and 1999.

The reason for that is that we can certainly decrease and maintain a decrease in the procurement from the levels we had in the mid-1980's because our force structure is substantially smaller. We have less equipment and, therefore, we obviously will have a smaller procurement budget.

But it was also true that in the transition period, in which we are going down, we had excess equipment in the inventory and, therefore, we could live off of that excess equipment for a few years. But after a period of time, toward the end of the 1990's, that no longer is true. And then some of this older excess equipment becomes obsolete and starts going out of the inventory, and then we have to start producing again.

So this budget then reflects the smaller force structure size, living off the excess force structure for a period of time, and then a modest increase in procurement toward the end of the decade.

HISTORICAL PROCUREMENT DATA

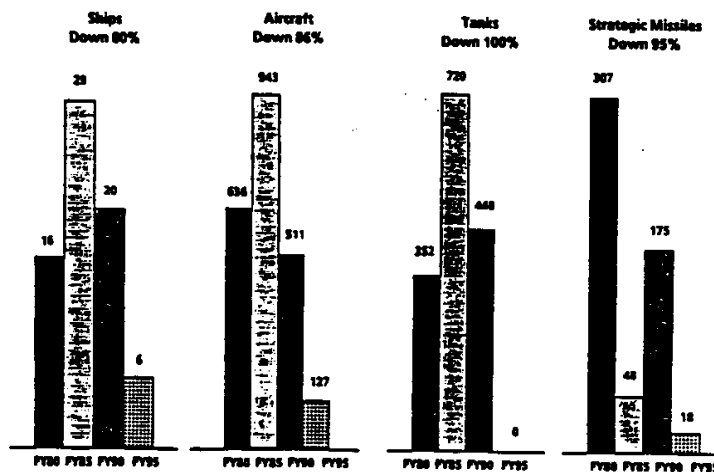


CHART 10

HISTORICAL PROCUREMENT DATA

The next chart dramatizes the industrial base issue which the chairman referred to in his opening statement. I cannot think of a more dramatic way of making the point than this particular chart.

In fiscal year 1985, we procured 29 ships. The budget in front of you today calls for procuring six ships. So if any of you have a shipbuilding company in your district, this is what they are talking about when they talk about their market collapsing.

Second, let us look at aircraft. In fiscal year 1985, we procured 943; this year we will be procuring 127, an 86-percent decrease. Tanks is even more dramatic. In fiscal year 1985 we procured 720; this year we are procuring zero.

Now I have already told you what we are doing to sustain the industrial base in submarines, which is, faced with a zero in submarines, we decided instead to build one. So we went into a very low production rate in submarines and elected to build one to sustain us over into the period when we would need a modest production rate again.

In the case of tanks, we took a different alternative. On tanks, instead of building tanks not needed in the inventory, instead we instituted a program of modernizing or upgrading thousands of M-1 tanks which are now in the inventory, sending them to the factory which otherwise would have been producing new tanks, and giving that factory the task of modernizing and upgrading the M-1 tank to the M-1A2.

This does two things for us. It not only gives us much more modern and effective tanks in our inventory, but it keeps that production facility engaged in work very much like the work that they would have been engaged in in building new tanks. Therefore, at a much lower cost we are able to maintain some core element of that capability.

Now, with those dramatic changes in force structure size, personnel, and, most importantly, in our procurement program, it is imperative that we do business differently.

DOING BUSINESS DIFFERENTLY

- Launches Campaign to Streamline Acquisition Process
- Launches Effort to Reform Financial Management System
- Provides Funding for Base Closures and Aid to Communities Losing Bases
- Provides \$5.7 Billion for Environmental Restoration and Pollution Prevention

CHART 11

DOING BUSINESS DIFFERENTLY

I have talked with many of you before about the need to streamline and reform our acquisition process. That program is well underway. It is one which I would be happy to arrange for a detailed discussion with this committee at some time in the future. But the most important point I would make to you is that, while we can effect some of the reforms in the acquisition system by ourselves—

and in particular going over to industrial specifications instead of military specifications—other reforms require legislative changes.

There will be before the Congress this spring a proposal to change the legislation to allow us to make major changes in the acquisition system which will allow us to do business more efficiently. We must do that. We cannot maintain the same processes for the industrial base we maintained in the mid-1980's for this greatly attenuated industrial base that is going to exist in the mid and late 1990's.

So I ask your help in that area.

Second, I have testified to several committees of the Congress that our financial management system is inefficient, obsolete, and archaic, and we are running the largest business in the world with an obsolete financial management system. We must change, we must improve that system.

The gentleman on my right, Mr. Hamre, our Controller, has been charged with making massive improvements in that system, and any time this committee would like to hear more about what the problem is and what he is doing to try to fix it, he will be happy to come over and give you a detailed report on what is being planned there.

The third aspect of doing business differently is getting our infrastructure down to the size of our present program. We do this through the BRAC process. We have already had a BRAC 1988, 1991, and 1993. There will be one more BRAC under the present legislation coming up in 1995. This budget assumes that we will be making submissions to the BRAC committee, and that they will approve a substantial further reduction in bases. This affects our budget.

By the way, in this budget we do not assume or estimate which bases they will be. That is something for the BRAC Commission to do. We just estimate the aggregate size of it, but it affects our budget in two different ways.

First of all, the net effect of closing bases is cost savings in the out-years, and we count on those cost savings in fiscal years 1997, 1998, and 1999, but the immediate impact of base closings is an expense, and so in fiscal years 1995 and 1996 there are real expenses incurred in closing bases, and those are reflected in the budget that we submit to you.

Finally, we have in this budget almost \$6 billion for environmental restoration. This is a big bill. It is one of the fastest growing parts. It is one of the only two parts of our defense budget that are really increasing, the other one being health care.

By and large, we do not have much discretion on this \$5.7 billion. We are doing what is required by law and what is required by regulation, but we do have also an item called pollution prevention. This we do have discretion about, and we have elected to spend some funds in pollution prevention so that my successor, or my successor's successor, will not be dealing with the same problem I am dealing with, that we will not be making a mess with everything we do that requires \$6 billion a year to clean up on into the indefinite future.

<i>Defense reinvestment and economic growth initiatives—Fiscal year 1995</i>	
Dual use technology investment	\$2,100,000,000
Personnel transition assistance	1,000,000,000
Community assistance	200,000,000
Total DOD programs	3,300,000,000

CHART 12

DEFENSE REINVESTMENT

Now, the final chart relative to the program that we are submitting to you today has to do with defense reinvestment. I will show you in a minute the extent of the reinvestment outside the defense budget. This chart is only meant to reflect the modest reinvestment of defense resources within the defense budget.

The \$3 billion here reflects expenditures which help the community as a whole, not just the Defense Department. The largest one here, called dual-use technology investment, the key to this program is the so-called technology reinvestment program. It is an R&D program where we invest money in R&D which is useful to defense but which also has a very important application to the commercial field and commercial products.

In that program, we ask the commercial company who is bidding on the program to share costs with us, and typically on a 50-50 basis, because they get benefits in the commercial field as well as our benefits in the R&D. We believe this program is, in the jargon of business, a win-win. It wins for the Defense Department, and it is also a big boost for the communities and for the businesses which invest in this program and get new commercial products out of it.

The latter two programs on here, personal transition assistance and community assistance, are both programs we have established to mitigate the effect of the drawdown on personnel and the base closing that is going on, mitigate the effect on the individual people who are affected by it and by the communities who are affected by it.

This \$200 million for community assistance I think is one of the best \$200 million we are investing in the Defense Department. As we close bases all over the country, we are having a very substantial effect on communities, some of whom have had the Defense Department as their largest employer in that community.

We have a responsibility to help that community deal with the transition problem. What we do in this area is we do not try to fund the large new commercial programs they are trying to establish there. What we do is provide funds and technical assistance in their so-called reuse program, helping them to put together their program which allows them to reestablish themselves in commercial businesses, and this has been a very effective program and one I am very proud of and will be happy to discuss with you in any detail in the future.

DEFENSE OUTLAYS

The next two charts—

Senator INOUE. Mr. Secretary, at this time we are having a very important vote on the balanced budget amendment, so if we may we would like to excuse ourselves and call a short recess and we will be right back, sir.

Secretary PERRY. Thank you, Mr. Chairman.

[A brief recess was taken.]

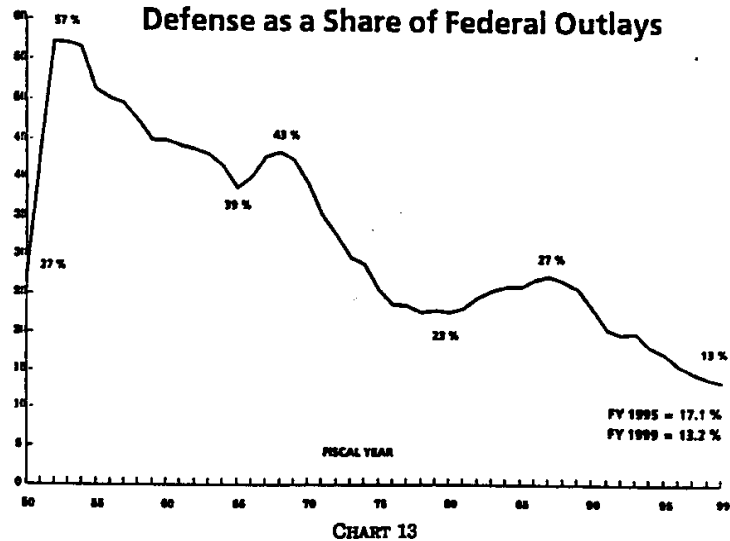
Senator INOUE. Mr. Secretary, our apologies, we were out there and saved the day for the country.

Secretary PERRY. Thank you, Mr. Chairman.

Where we left off before, I was going to the defense reinvestment outside of the Defense Department, and this next chart is one measure of that. This reflects defense outlays as a share of the gross domestic product.

I would like to point to what I think are three interesting points about this curve. You notice that there are peaks during the Korean war, Vietnam war, and the Reagan buildup during the cold war, of approximately 12, 9, and 6 percent.

Second, I would point out that the budget we have submitted to you in the out-year periods takes that down to just under 3 percent, 2.8 percent by the end of the decade, and that in this fiscal year, fiscal 1995, we will have it down to 3.4 percent, so that represents a substantial shift of funds from defense into other parts of the economy.



The next chart reflects this same set of numbers in a different way, and now we see them as a percentage of the Federal budget. This reflects the reinvestment, defense reinvestment into other parts of the budget, basically. During the Korean war, that peak was—57 percent of the Federal budget was defense during the Korean war, 43 percent during the Vietnam war, 27 percent during the Reagan buildup at its peak, and we are going down to 13 per-

cent by the end of the century, and if we look at fiscal 1995 it will be down to 17 percent of the Federal outlays.

NATIONAL DEFENSE TOPLINE						
[Current dollars in billions]						
	1994	1995	1996	1997	1998	1999
Budget authority:						
DOD military	249.0	252.2	243.4	240.2	246.7	253.0
DOE and other	11.9	11.5	11.9	11.8	12.0	12.1
Total national defense ..	260.9	263.7	255.3	252.0	258.7	265.1
Percent real change	-9.0	-0.9	-5.9	-4.0	-0.2	-0.3
Outlays:						
DOD military	267.4	259.2	249.1	244.6	244.7	245.5
DOE and other	12.5	11.5	11.9	11.8	11.9	12.0
Total national defense ..	279.8	270.7	261.0	256.4	256.6	257.5
Percent real change	-6.0	-5.2	-6.4	-4.5	-2.7	-2.4

CHART 14

The next chart shows—this just puts the numbers—you already have these numbers, and I will only make a few points about them. First of all, if you look at the top line number, defense appears to be essentially flat over this period. That is because these numbers are then-year dollars, and if you want to see the effect in buying power, you see them in the bottom line, which shows that 1994 had a 9-percent real decrease, 1995 about a 1-percent decrease.

We are projecting pretty substantial decreases for 1996 and 1997, 6 and 4 percent respectively, and then toward the end of the decade, as we start building up our procurement account again, we see it going down to essentially a flat budget at that time.

FINAL POINT

- Budget Is a Strategic Investment Plan
- Based on Common Understanding of Strategic Needs
- Connects Strategy, Force Structure and Costs

CHART 15

BUDGET AS A STRATEGIC PLAN

So we conclude, then, with the statement that this budget is a strategic investment plan. It is about choices, and I describe to you the choices and the rationale for those choices. It reflects a common understanding of strategic needs based on the "Bottom-Up Review," and, therefore, it connects strategy with force structure and with the costs.

Therefore, you can look at this, and if you do not like the strategy and want to change it, then that will lead to a different force structure. If you do not like the force structure and want to change

it, it will lead you to different costs. If you do not like the cost and want to change it, then you have to go back and change either the force structure or the strategy.

My point, though, is that they are interconnected, and you cannot change one without changing the other, and with that I would like to throw open the floor for questions and comments.

[The statement follows:]

STATEMENT OF WILLIAM J. PERRY

Mr. Chairman, members of the committee, it is a pleasure for me to be here today to present President Clinton's fiscal year 1995 defense budget.

During my confirmation hearing, I laid out six responsibilities for the Secretary of Defense. One of the responsibilities is to prepare the annual defense budget that allocates resources and makes program decisions.

The budget is a powerful tool through which the Secretary implements defense strategy. Through the budget process, I as Secretary set my priorities for the Department. Today I want to talk about how this budget reflects the strategy we have adopted to build a post-Cold War Department of Defense (DOD). I want to share with you my priorities and lay out the rationale for my choices. For the budget is about choices. We could pretend that every decision was based on pure logic, but we know that is not so. Nor is there enough money to cover every option, to hedge every bet. I expect discussion, perhaps even challenges. It is time to open the debate.

Today I am presenting a post-Cold War budget. It reflects the realities of our inherited force structure. We have a quality force, but the size of the force structure is both a blessing and a burden. We have large stocks of top-quality equipment, which in fiscal year 1995 continue to provide options regarding future modernization. We also have a force larger than we need, one that requires a few more years of downsizing, and an infrastructure that requires further shedding, a process which we have discovered has heavy up-front costs.

FISCAL YEAR 1995 BUDGET

- Implements the Bottom-Up Force Structure
- Protects a Ready-to-Fight Force
- Redirects Modernization Program
- Starts Doing Business Differently
- Reinvests Defense Dollars

DEFENSE THEMES

There are five major themes which I would like to highlight in this budget.

First, it implements the Bottom-Up Review.

Second, it protects a ready-to-fight force. It tells you what we have done to put reality into our rhetoric about readiness.

Third, it redirects our modernization program, taking advantage of our existing force structure while planning for the future.

Fourth, it starts to do business differently. There are serious fiscal implications if we do not manage better. Without management changes, we will not have sufficient funds for the future. As it is, we know that we have to plus-up the procurement accounts in the outyears to begin the process of "recapitalizing" the force. If we fail to manage better, overhead will drain funds from other accounts. We will have no choice but to rob from readiness or increase the topline.

Finally, this budget reinvests defense dollars into other areas of the economy, including deficit reduction.

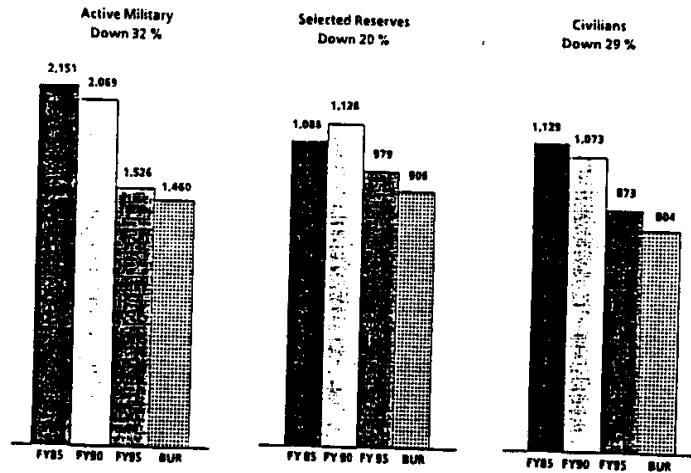
POST-COLD WAR FORCE STRUCTURE

	Cold war base 1990	Base force	1995	BUR plan
Land forces:				
Army Active divisions	18	12	12	10
Army Reserve component divisions	10	8	8	+ 5
Marine Corps (3 Active/1 Reserve)	4	4	4	4
Navy:				
Ship battle forces	546	430	373	346
Aircraft carriers:				
Active	15	13	11	11
Reserve	1	1	1
Navy carrier wings:				
13	11	10	10	
Reserve	2	2	1	1
Air Force:				
Active fighter wings	24	15.3	13.0	13
Reserve fighter wings	12	1.3	7.5	7

Let me begin with force structure. The Bottom-Up Review served as the heart of our force structure planning. The Review concluded that our basic force structure should be sized to fight two medium-sized regional conflicts (MRC's) nearly simultaneously, and it defined the minimum needed force structure. Additionally, we allowed the requirement for overseas presence to help size the force. The structure we proposed then, and which is supported by this budget, allows us to meet these requirements.

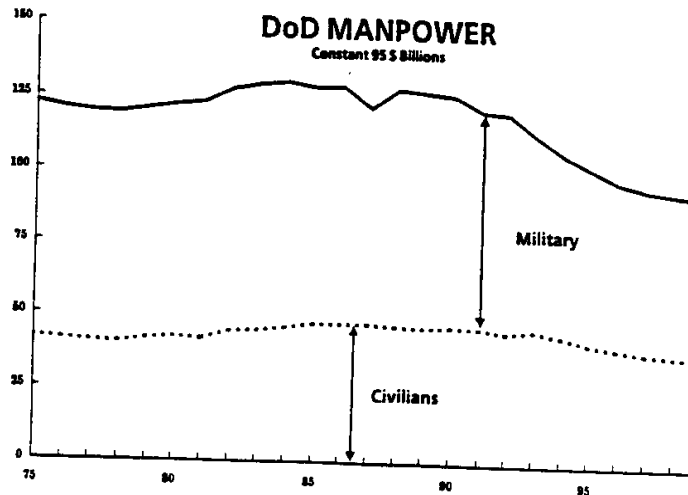
Our budget continues the drawdown begun by the previous administration and takes it to the BUR levels at the end of the Future Years Defense Program (FYDP). In some areas, we will reach these levels more quickly, an important factor since significant savings will accrue and be available to plow back into other investments. We are already close to the BUR level of four Marine divisions; we are getting close to 346 ships and the 13 active fighter wings. In other areas, we are on a more gradual glide path because we need to make the enhancements that will help us compensate for a smaller force structure. When we reach the BUR levels, the overall force structure will have come down about 30 percent from its peak in the 1980's.

MANPOWER LEVELS (End Strengths in thousands)



The overall manpower levels have come down as you would expect with the declining force structure. One notable change is the increased emphasis I have placed on reducing the civilian support structure in a way that is commensurate with the drawdown in military forces. This is a painful process, and we must continue to fund the programs that allow us to minimize RIF's. We must also adequately fund employee transition programs that permit discharged military personnel the best possible chance to find work in the civilian economy.

The good news in this process is that, with the 1995 budget, we are almost at the end of the personnel drawdown. So the personnel turbulence which so heavily affects morale will be largely behind us at the end of the 1995 budget year.



During the Cold War the costs of manpower stayed about level. Now we are cutting deeply in this area. The savings from a smaller force structure are considerable, about \$36 billion. We are already realizing most of these savings. This is the prime example of a choice in priorities. We have chosen to cut force structure in order to preserve readiness. This is the opposite of the judgment we made in the 1970's when we maintained a force of 2.1 million people, but deeply cut the Operation and Maintenance (O&M) accounts. That approach led to the "hollow force" of the 1970's. Instead, we have determined that we can effectively function in the post-Cold War era with smaller forces, if those forces are ready.

PRIORITY ON READINESS

- While Force Structure Is Down 7 Percent, O&M Funding Increases 5.6 Percent
- Budget Fully Funds Service Optempo
- While Weapons Inventories Shrink, Depot Maintenance Funding Increases 20 Percent
- Steady Budget Levels for Recruiting

We are taking those savings and investing them in the Operation and Maintenance accounts as the most direct way to preserve readiness. While the force structure will decrease 7 percent between fiscal year 1994 and fiscal year 1995, we have increased O&M funding by 5.6 percent. We have also fully funded Service Optempo requests. We have also decided that even while weapons inventories are shrinking we need to increase depot maintenance funding by 20 percent. Finally, we are maintaining the budget levels for recruiting. Fiscal year 1994 was as good a recruiting year as ever in terms of numbers and quality, but we must counteract the popular perception that we can no longer offer full careers. We must resist the temptation to save dollars on recruiting.

These are areas where the Secretary of Defense can make his priorities known. I cannot go out and repair a broken airplane or ship, but I can make sure that the military services give readiness their highest priority. We even put this instruction into the front end of the fiscal guidance. The services were told that readiness is the first priority and that all other guidance could be traded-off if they needed to program funds for improved readiness.

ANNUAL OPERATING RESOURCES PER UNIT

(1993 = 100)

	Fiscal year—		
	1993	1994	1995
Army: Combat battalions	100.0	102.5	114.0
Navy: Ships	100.0	108.1	110.7
Air Force: Primary authorized aircraft	100.0	109.3	111.7

One of the challenges in making this sort of decision is to find ways to explain the effect that added funding for readiness will have. One of the best ways we have found is to look at the funding per unit of military activity—the funds available to operate a plane, a ship, or a combat battalion. Through this measure we are able to show, by activities and capabilities in the field, the relative increase in funding we have provided for readiness.

OPERATION AND MAINTENANCE—COSTS PER MILITARY END STRENGTH
[1993=100]

	Fiscal year—		
	1993	1994	1995
Army	100.0	96.9	109.4
Navy	100.0	104.5	109.1
Air Force	100.0	107.3	117.1

We can also look at the increase in funding relative to the manpower levels in each service. For example, you can see that the Air Force has chosen to increase its O&M relative to Air Force end strength.

This dollar emphasis on readiness translates into people's ability to do their jobs with high confidence of success. Needless to say, increased funding for training and maintenance is important for morale.

BUR—ESSENTIAL MODERNIZATION PROGRAM SUSTAINED

- Sustain Strong Science & Technology Base
- Continue Investment in Next Generation Weapon Systems
- Refocus Ballistic Missile Defense Program
- Sustain Strong Intelligence Program
- Preserve Key Elements of Industrial Base That Would Otherwise Disappear

The next priority I have set for the Department, with John Deutch's help, is to redirect our modernization programs. Again, this decision is consistent with the strategy laid out in the Bottom-Up Review, which premised our two MRC strategy on force enhancements.

First, we will sustain a strong research and development effort. I firmly believe that we can and must continue to provide our forces the kind of advantage we had in Desert Storm. In the business world it might be called an unfair competitive advantage, but in combat it is called winning, and winning with minimum casualties. Additionally, a strong R&D effort is essential to provide a foundation if we ever have to reconstitute our forces.

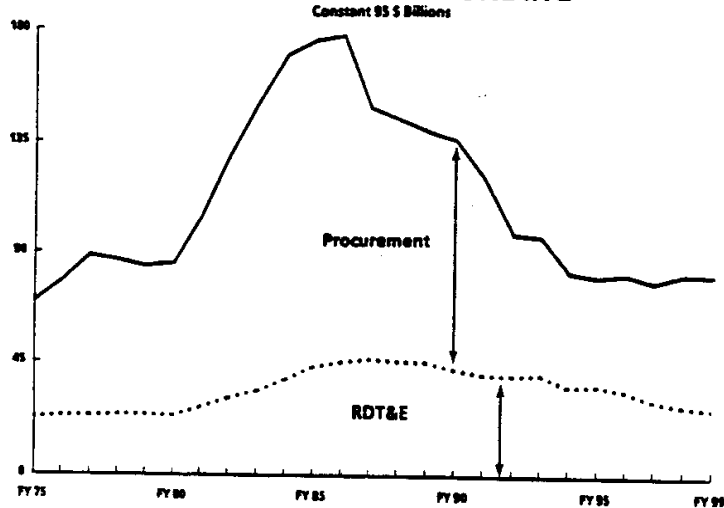
Second, we need to continue to buy some next generation weapons. This is our commitment to the next generation of Americans. The C-17 is crucially important to the Bottom-Up Review strategy. We are also forging ahead with the F-22. But these are a select few programs.

Third, we have refocused the Ballistic Missile Defense Program to give first priority to theater defenses.

Fourth, have emphasized intelligence. We cannot dismantle it. The world is a dangerous, uncertain place, and many of the diverse threats we face today are difficult intelligence targets.

Finally, we want to preserve key elements of the industrial base that would go away if it were not for our support. This may be one of the most controversial decisions we have made, and I would be happy to discuss it at length.

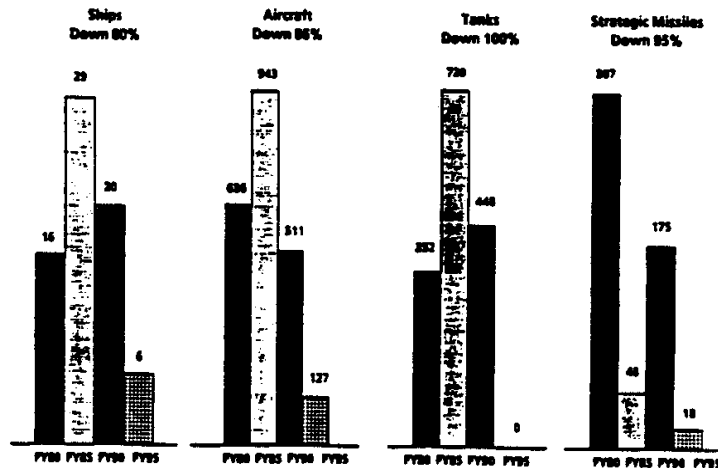
MODERNIZATION FUNDING



For the past twenty years the procurement budget has been on a roller-coaster ride. Research and Development has been more stable; it has come down some, but it is still higher, in constant dollars, than in the late 1970's when we developed the weapons used in Desert Storm. I want to maintain R&D at a robust level.

The most difficult choice we have made is on procurement, and this will be a point of contention for many with this budget. First let me say that we cannot sustain these low levels of procurement for long, and we are projecting an increase beginning after 1995, when it goes up by 20 percent between 1996 and 1999.

HISTORICAL PROCUREMENT DATA



We plan to continue the drop-off in near-term procurement that started in the Bush Administration. We will go from 20 ships in 1990 to six in 1995, from 511 aircraft in 1990 to 127 in 1995 and from 448 tanks in 1990 to zero in 1995. The tank story is not a complete picture since we are doing some upgrade work, which keeps the industrial base warm, but the contrast to the recent past is dramatic.

There are two reasons for this drop off. First, we are projecting a much smaller force structure, down 30 percent. And even when we hit a steady state, we will have smaller buys than the past. Second, as our force size goes down, we can live off the inventory we built up for the Cold War.

The biggest challenge we will face during the transition will be fine-tuning the industrial base. Attack submarine forces is a good example. Based on a 90-sub force with a sub life of 30 years, the required build rate would be three per year. A projected 45-sub force would require only one-and-one-half submarines to be built per year. But as we draw down to that 45-sub level, we really have no need to build new submarines until after the turn of the century. The reason we have chosen to invest in a new Seawolf over the next few years is to keep the industrial base active at a minimum level until we need to start buying again at a steady-state level.

Each case will be different. For tanks we can handle the industrial base issue through upgrades and foreign military sales. For submarines we will need a stretched-out buy. With airplanes we have enough procurement, and with the development programs for the F-22 and the new F/A-18 version, we can be confident that we will have suppliers out into the future.

DOING BUSINESS DIFFERENTLY

- Launches Campaign to Streamline Acquisition Process
- Launches Effort to Reform Financial Management System
- Provides Funding for Base Closures and Aid to Communities Losing Bases
- Provides \$5.7 Billion for Environmental Restoration and Pollution Prevention

Related to the need to increase procurement after 1996 is the requirement to do business differently. In this budget there is not enough money in the outyears to increase the procurement accounts unless we cut our costs. That means acquisition reform is a real need and not just a good idea.

In addition, we need to reform our financial management. It is a mess, and it is costing us money we desperately need. Third, we need to continue to shed infrastructure. We urgently need the help of the Congress for all these activities.

All three efforts are designed to save money in the outyears, but none will save money immediately. There is no line in this budget for projected savings from acquisition reform. We will not credit those savings until we can precisely identify and verify them. To do the base closure process correctly and quickly requires significant funds, and better financial management requires investment in new systems.

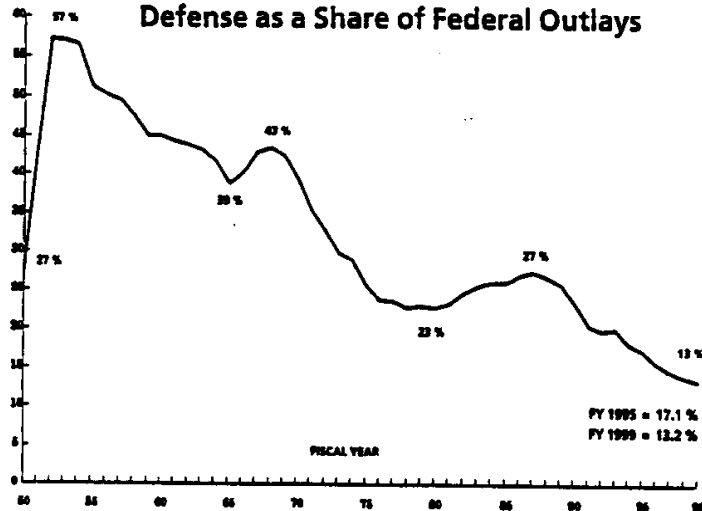
Taking care of the environment is in a slightly different category, but there are parallels. We must spend heavily to clean up past mistakes, and this is money which is an increasing drain on regular military accounts. But we are also trying to prevent the need for expenditures of this sort in the outyears. It is important to note that there is an additional \$5 billion in the Department of Energy budget for clean-up.

Defense reinvestment and economic growth initiatives—fiscal year 1995

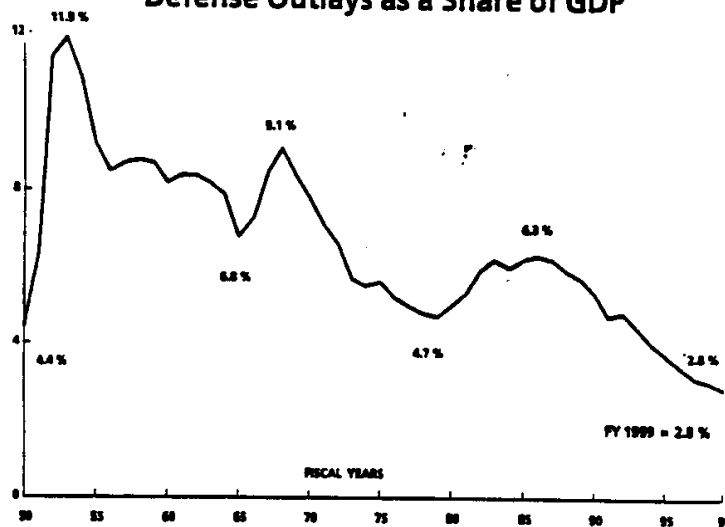
Dual use technology investment	\$2,100,000,000
Personnel transition assistance	1,000,000,000
Community assistance	200,000,000
Total DOD programs	3,300,000,000

The last theme I want to stress in this budget is defense reinvestment, totaling a little over \$3 billion. Much of this money is being put into dual use technology, where there is a clear benefit to Defense as well as a benefit to the commercial sector.

Defense as a Share of Federal Outlays



Defense Outlays as a Share of GDP



The overall picture for Defense as a part of the national economy and budget shows the dramatic shift in resources from Defense to the non-defense side of the economy. Defense outlays are now down to 3.7 percent of GDP and heading toward 2.8 percent in 1999. Defense outlays are already down to 17 percent of the Federal budget. That represents a significant peace dividend for the American people.

NATIONAL DEFENSE TOPLINE						
(Current dollars in billions)						
	1994	1995	1996	1997	1998	1999
Budget authority:						
DOD military	249.0	252.2	243.4	240.2	246.7	253.0
DOE and other	11.9	11.5	11.9	11.8	12.0	12.1
Total national defense ..	260.9	263.7	255.3	252.0	258.7	265.1
Percent real change	-9.0	-0.9	-5.9	-4.0	-0.2	-0.3
Outlays:						
DOD military	267.4	259.2	249.1	244.6	244.7	245.5
DOE and other	12.5	11.5	11.9	11.8	11.9	12.0
Total national defense ..	279.8	270.7	261.0	256.4	256.6	257.5
Percent real change	-6.0	-5.2	-6.4	-4.5	-2.7	-2.4

This is the topline showing what we are planning to spend for America's defense.

A STRATEGIC INVESTMENT PLAN

FINAL POINT

- Budget Is a Strategic Investment Plan
- Based on Common Understanding of Strategic Needs
- Connects Strategy, Force Structure and Costs

In sum, the President's fiscal year 1995 defense budget represents a strategic investment plan. It is a blueprint for getting us to where we want to go. It is based on a common understanding of strategy and what is needed to carry out that strategy derived from the Bottom-Up Review. The Bottom-Up Review provides clear goals for ensuring America's defense. The budget connects our strategy to force structure and costs. I believe that it fulfills the President's pledge to sustain the "best-equipped, best-trained, and best-prepared fighting force on the face of the earth."

Let me now turn to several subjects that I believe might be of special interest to this committee.

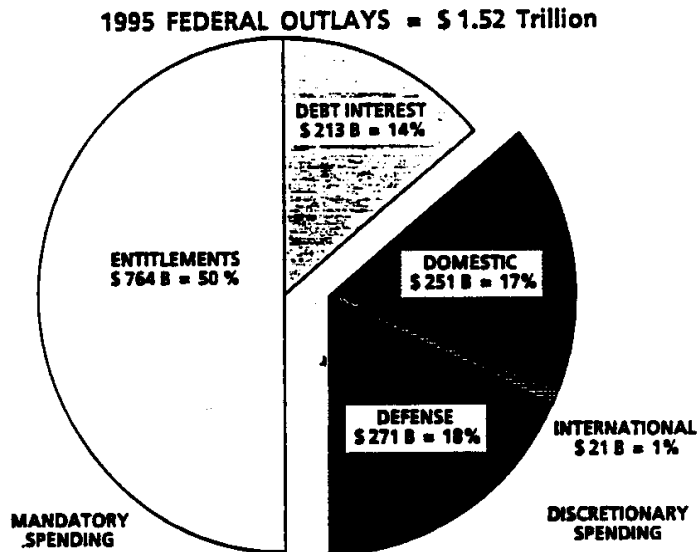
THE BOTTOM-UP REVIEW

BUR CREATED CONSENSUS IN NATIONAL DEFENSE

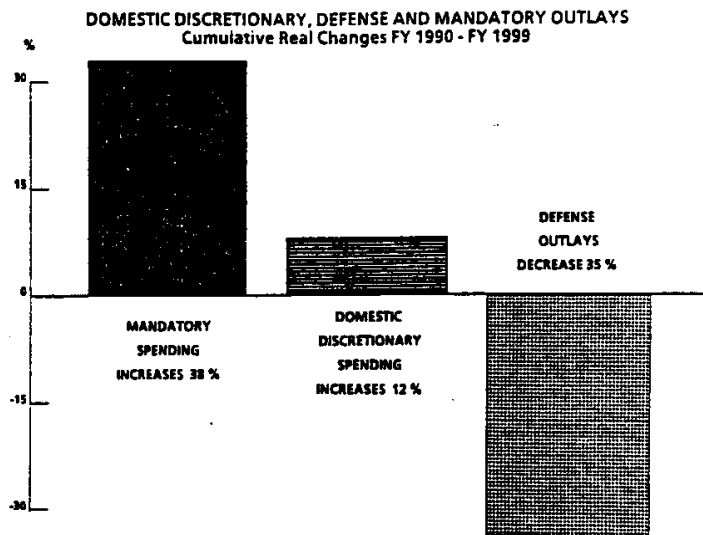
- Consensus on risks and military capabilities
- Consensus on modernization and protection of the Industrial Base
- Consensus between civilians and military on balance in defense program

First, some additional comments on the Bottom-Up Review. This study was truly a milestone for America's national security. The BUR solidified a consensus within DOD on the potential risks to America's security, the defense strategy needed to protect and advance our interests, and the military capabilities required to carry out our strategy to counter those risks. It also produced an affordable plan for the continuing modernization of U.S. forces and for managing the industrial base to support a modern force. Finally, the Review achieved a consensus between DOD's civilian and military leaders on the most critical elements of a balanced program to achieve the needed U.S. security posture.

Perhaps the most important and controversial BUR conclusion was that the optimal U.S. force should be one sufficient to fight and win two nearly simultaneous major regional conflicts. This conclusion reflected a concern that if America were to be drawn into a war with one regional aggressor, another could be tempted to attack its neighbors—especially if it were convinced that the U.S. and its allies did not have enough military power to deal with more than one major conflict at a time. Moreover, sizing U.S. forces for more than one major regional conflict will provide a hedge against the possibility that a future adversary might one day mount a larger than expected threat. In sizing U.S. forces, we also committed ourselves to maintaining a strong overseas presence, which is essential to ensuring the vitality of our alliance relationships and maintaining stability in critical regions.



I recognize that this committee must consider defense spending in the larger context of the federal budget, and that there are enormous pressures to reduce the deficit and preserve domestic programs that directly affect our people. In that regard, this chart depicts the defense portion of this larger picture. It illustrates that focusing on Defense as the major cure for the deficit is out of proportion to its share of federal outlays. Let me hasten to add, however, that the primary reason that President Clinton and our nation's defense leaders oppose cuts beyond those planned is that it would carry excess risk to our future security.



This chart shows that during the 1990's defense outlays are coming down dramatically. Defense is contributing to deficit reduction far in excess of its share of the federal budget. Unfortunately, increases in other segments of the budget dwarf our decreases—hence our nation's political leaders must continue their fully justified concentration on deficit reduction. My message here is simply that preserving America's future security must be as strong a concern.

THE FYDP FUNDING SHORTFALL

DOD FYDP VERSUS TOPLINE		
(In current billions of dollars)		
	Fiscal year 1995	Cumulative fiscal years 1996-99
Budget authority:		
FYDP	252.2	1,003.4
Topline	252.2	983.3
Funding difference		20.1

Finally I would like to explain the \$20 billion funding shortfall that has received quite a lot of attention.

The Bottom-Up Review was undertaken without a precise defense spending target in mind. When the BUR was completed, the Department found that the BUR program exceeded the President's spending levels by a total of \$13 billion over the FYDP period. Secretary Aspin committed to finding the remaining \$13 billion during the normal review for the fiscal year 1995 budget and FYDP. Reductions were made to many programs to achieve this goal. However, two developments complicated the budget review.

First, Congress provided a pay raise for military and civilian federal employees, whereas the Administration had proposed a pay freeze in fiscal year 1994. The consequence of the pay raise was to increase funding requirements over the FYDP pe-

ried by over \$11 billion. This was a real bill that had to be paid because the pay raise was mandated in law.

Second, the rate of inflation in future years was projected to be higher than was estimated at the time the fiscal year 1994 budget was developed. Because of this change, it was estimated that DOD would need about \$20 billion more to pay for the BUR program over the FYDP period. Unlike legally mandated pay raises, these inflation estimates are likely to change several times during the year, and may well result in inflation cost growth below the \$20 billion over five years now estimated.

President Clinton reviewed these factors in December. At that time he reaffirmed his commitment to the BUR program. He also directed OMB to increase the overall DOD budget over the 5-year period by \$11.4 billion to provide for the effects of the pay raise over the FYDP period. However, the President opted not to budget for the multi-year inflation bill, which may or may not come due.

In order to implement the President's directives, the Department took two actions. It incorporated the full cost implications of the pay raise provided in fiscal year 1994, and it repriced the BUR consistent with current economic estimates. These actions resulted in a defense program that exceeds the President's defense budget levels in the fiscal year 1996-1999 period by about \$20 billion. Options to deal with this matter will be considered in developing the fiscal year 1996-2001 FYDP—when updated inflation projections will be available. The President and the Department of Defense remain firm in their commitment to the BUR and the need to properly finance it.

Individual DOD programs and activities, through which the BUR is being implemented, all have been properly priced based on current estimates of inflation. DOD leaders are confident that planned forces and capabilities can be purchased for the monies projected in the FYDP. The Department used realistic projections for future costs, procurement schedules, likely savings, and other planning issues.

Senator INOUE. Mr. Secretary, I thank you very much for your presentation of the budget. I would like to begin the questioning with overseas troop strength reduction.

According to public law, by September 30, 1996, overseas troop strength may be no higher than 60 percent of the September 30, 1992, level, and so the overseas troop strength will be limited to 178,200.

Recently, the President of the United States assured our European allies that the European level will be kept at 100,000. If such is the case, the bulk of the cut will have to come from the Pacific Command, and that can be accomplished, I would think, only by substantial reductions in ground combat power in the army in Korea and the marines in Okinawa.

In either case, I think this may well seriously undercut conventional deterrence of the North Koreans, and until the situation on the Korean Peninsula has stabilized, I believe that many of us would believe that reducing our force structure may be sending a strange message. Should consideration be given to reducing European troop strength below 100,000?

REDUCING OVERSEAS TROOP STRENGTH

Secretary PERRY. Mr. Chairman, I am not in favor of any cuts in our forces in Korea or in our forces in Japan at this stage or for the foreseeable future. Now, I do not believe—I can stand corrected on this—I do not believe we will have to cut below 100,000 in Europe to achieve that. I am working from my memory on the figures now, but my recollection is we have something like 34,000 or 35,000 troops in Korea, and perhaps 30,000-odd in Japan and in combination that would be 160,000-some, which I think falls within the figure you mentioned.

Senator INOUE. Well, the figures that I have show that if you maintain 100,000—and the 1992 figure in Europe was 188,000, the

Pacific in 1992 was 86,000 and going down to 61,700, and other areas to 16,500—that gives a 40-percent reduction, but if we have to go below that, some place has to give. Would you suggest we amend the law?

Secretary PERRY. Not at this stage I do not, because we may have a definitional problem. Let me tell you the numbers from my memory. We will go down to 100,000 in Europe, we will go down to about that same number in the Pacific, about 100,000, but a good many of those in the Pacific are in Alaska and in Hawaii, and I would imagine they do not count in the limitation that you are describing here.

Senator INOUE. You do not count the Navy, either, so that would, in the case of the Pacific, have to come out of the Army in Korea or the Marines in Okinawa.

Secretary PERRY. I will check to be sure of this, but I believe—first of all, I know that the force planning that we are counting on involves keeping the forces in Korea and the forces in Japan that we now have, and what I will do is check with you to be sure that that is going to be compatible with the law you describe, and if there is a problem there, it comes with the definition of what is an overseas deployment.

Senator INOUE. Mr. Secretary, I hope you are correct, because otherwise I think we will send a terrible message to the North Koreans.

Secretary PERRY. In order to maintain the level of troops in Korea and Japan that we now have, if it truly requires a change in the law, I would be prepared to come back and ask for that, because I believe it is imperative we maintain those force levels.

[The information follows:]

Since my appearance before the Senate Appropriations Defense Subcommittee on March 1, 1994, I have received additional information from my staff and wish to comment on Section 1302 of the Fiscal Year 1993 Authorization Act. This provision directed a ceiling on military permanently stationed ashore outside the United States after September 30, 1996 to no more than 60 percent of those so stationed on September 30, 1992. Our estimates show that about 290,000 military personnel were stationed overseas on September 30, 1992, which provides for a 1996 ceiling of 174,000. This troop strength level will not allow us to execute the forward presence requirements determined in the Bottom-Up Review.

A large portion of the troops deployed to Operation Desert Storm were permanently based in Europe. These troops returned to the U.S. directly from the Persian Gulf when the operation concluded in fiscal year 1992. While this was a prudent, logical course of action both fiscally and militarily, OTS on September 30, 1992 was significantly below the forecast level and skewed the legislated baseline for the new OTS ceiling downward.

President Clinton has reiterated our commitment for roughly 100,000 troops in Europe at the NATO Summit, which also complies with legislative direction. Further, because of the current tensions in the Pacific, we must retain our presence in that theater at about 82,500 permanently stationed ashore. This number excludes personnel afloat and assigned to Alaska, Hawaii, and our US territories. Additionally, we require about 20,000 for our remaining overseas theaters. As you can see, 174,000 is clearly insufficient to meet our requirements or allow the President to execute the Nations' foreign policy commitments.

I want to emphasize that we are committed to reducing our overseas troop levels to the minimum necessary to meet our commitments. We had almost 460,000 troops permanently stationed ashore overseas in 1987, and 400,000 as late as September 1991. What we are asking for in 1996 is about half of what we had in 1991. Additionally, should tensions be reduced in the Pacific, we are prepared to continue with Nunn-Warner drawdown in Korea. We also are reducing our presence in Panama and expect that country to take over control of the canal in 1999.

The Department requires a strong overseas presence. The current global situation is arguably more challenging and diverse than that foreseen in 1992. Increased tensions on the Korean peninsula and the continuing struggles of the current regime in Russia are but two instances that demand continued US vigilance. If not adjusted, the OTS ceiling may not allow us to provide the level of overseas presence required for deterrence of conventional aggression against our Allies and friends. Our overseas presence requirements, as defined in the Bottom-Up Review, are closely tied to key elements of those critical early arriving forces in the first stage of major regional contingencies. It is critical to the continued viability of the Bottom-Up Review and National Defense Strategy that the Department obtain relief from existing OTS restrictions.

KOREAN NEGOTIATIONS

Senator INOUE. Today, according to the latest news, the North and South Koreans are about to meet, and the North Koreans have invited inspectors to their nuclear plants. Does it mean that certain exercises such as Team Spirit will be postponed?

Secretary PERRY. We have a negotiation underway as we speak this very day, between the United States' negotiators and North Korean negotiators, but also involves the South Korean Government. There are a number of issues on the table on that negotiation.

I do not feel free to discuss in an open hearing the issues that are on the table, or how far the United States might be willing to go in this negotiation. I would be happy to discuss this with you in executive session, Mr. Chairman.

I also might say I have some hopes that these negotiations will be concluded today, or at the latest, tomorrow, so that we have some definite results to announce.

Senator INOUE. If you could advise us, would you characterize our current capabilities and those of the allies in the region—sufficient to deter or defeat any North Korean military action?

Secretary PERRY. I believe that they are sufficient to defeat any North Korean military action. I confess to a lack of deep understanding about what goes on in the minds of the North Korean leadership and, therefore, I could not make a confident statement about what is capable of deterring them.

RECRUITING SUCCESS

Senator INOUE. Mr. Secretary, in your presentation you indicated that last year was the second best year in recruiting on the quality of recruits.

Secretary PERRY. Yes; I did, Mr. Chairman.

Senator INOUE. I was rather surprised to hear this, because we have been informed otherwise; for example, that military services have failed to meet monthly recruiting goals in the first quarter of 1994; that the quality of our recruits is projected to decline.

More specifically, data recently released by the Air Force indicates that it has missed its monthly new recruiting contract goal in October, November, and December 1993; and this is the first time the service has missed these goals in years. The quality of Air Force recruits has fallen. In 1992, about 86 percent of all recruits were in the mental category 1 to 3. In 1993, the number fell to 80 percent, and I would assume the rest are category 4's.

The propensity of young people aged 16 to 21 to enlist in the military is falling. In 1989, 17 percent of the people in this age group were inclined to enlist—in 1990, 15 percent; in 1991, 14 percent; in 1992, 13 percent; and in 1993, 11 percent.

The Air Force report indicates that youth interest in the service is at a historic low. Are these statistics that we have received wrong?

Secretary PERRY. The ones that I am familiar with are correct. Let me clarify the apparent inconsistency between what I said and what you said. You compared, for example, 1992, and indicated they were better than 1983, and that is correct. I said 1993 was the second-best year in our history, and that is correct. 1992 was the first-best year. And so, the comparison is they will be better than any other year with which you compare.

Second, I indicated that the propensity to enlist was down. And that is a matter of major concern to us. That is why I made the special point about supporting the recruiting budget, and many of the last points you mentioned there had to do with propensity to recruit. We are already starting to see that effect in the first quarter of this year, which, again, were some of the figures which you quoted.

So, I did not want to be sanguine about the recruiting, but it is a historical fact which I believe a careful look at the figures will justify that fiscal year 1993 was the second-best year. First of all, we met our quantitative goals of about 200,000. Second, the qualitative goals were the second-best in our history.

Now, having said that, we see danger signals in 1994, some of which you have quoted there. And we are very concerned about those. We hope and we believe that a careful attention to recruiting and recruiting budget will help overcome the propensity problems you described. But it is early in the year yet. And I think we need to see some results from that recruiting and see some real effects to determine whether we have a serious long-term problem or not.

That, I do not know at this stage.

Senator INOUE. This is a matter of major concern to us, because some of us still recall the seventies, when we experienced the same type of statistics, and we would hate to repeat that again.

INDUSTRIAL BASE FOR BOMBERS

Mr. Secretary, in your opening statement you spoke of maintaining the industrial base for submarines. Are we going to do anything about industrial base for the bombers? We are not building a single bomber.

Secretary PERRY. We do not have anything in our program to sustain a bomber industrial base. That is a weakness of this program that we are presenting to you, and you may rightly challenge and criticize that assumption, or the assumptions that underlay that decision. But the reasons for that are twofold.

First of all, it is very expensive to maintain a bomber industrial base. The most logical way of maintaining a bomber industrial base was to continue building B-2's. That is not only because that is the best and the most effective bomber we can describe to you right now, but because we could make a very good use of the extra B-2 bombers if we had them.

So, that would be the obvious way of maintaining the bomber industrial base, but it is a very expensive way.

The second, a rationale for not maintaining the bomber industrial base is that we have a robust commercial base in building large transport planes. And we could, in time, pivot from that commercial base to the building of bombers again, just as we have done in earlier eras in our history.

I do not commend that to you with a lot of enthusiasm, because the specific techniques of building, particular stealth bombers, is very different from the techniques of building commercial transport airplanes.

So, that is, I would say, a weakness in this budget presentation.

Senator INOUE. How would DOD react if the Congress should address this problem and add something in here for maintenance a stealth bomber industrial base?

Secretary PERRY. The reaction would probably depend almost entirely on what was taken out to provide the funds. We made a judgment when we put it together that, while it was important and valuable to have it, it did not compete with the other items which we put in. The decision was as simple as that. And our reaction would be based on that same phenomenon.

AUTHORIZATION FOR AN AIRCRAFT CARRIER

Senator INOUE. Mr. Secretary, I will ask one more question in this round, and then I will call upon my colleagues. Last year, we appropriated \$1.2 billion, which could be used as a down payment on an aircraft carrier. You are requesting another \$2.4 billion and I believe this amount assumes a savings of \$200 million and assumes construction on the ship beginning this spring. But we must get congressional authorization.

Are you optimistic on that?

Secretary PERRY. Let me defer that question to my Comptroller.

Dr. HAMRE. Mr. Chairman, you phrase it exactly right. We had in our original budget submission for fiscal year 1995, our plan had always been to request the full funding for the carrier. Congress, having the funding flexibility that we lacked last year, provided an advance payment of about one-third, \$1.2 billion. As you mentioned, it does require an authorization. That, of course, is a process internal to the Congress.

Our presumption is that we have requested that with our submission this year, with the fiscal year 1995 full funding increment that will be coming. And we presume it will be acted on when the Armed Services Committees act on the two authorization bills. We presume the markup will occur before the Memorial Day recess. I believe that is the current plan.

Excuse me, sir, my understanding from the Navy is that is sufficient still to capture the savings that were forecast for the carrier.

Senator INOUE. I would assume that if you do not get the authorization now, we will not be saving the \$200 million?

Dr. HAMRE. The \$200 million is at risk if we do not receive an authorization. I do not have a precise time, and I do not believe the Navy does either, I think late spring, early summer is what I have heard most recently. We are very keen and we have imbedded in our assumptions in this budget, sir, that we will capture that \$200

million savings with the authorization, and using the funds that were provided last year.

Senator INOUE. Thank you very much. I will await my second round.

The vice chairman, Senator Stevens.

Senator STEVENS. Thank you very much.

Mr. Secretary, I was interested in the charts you had there projecting the percentage of the Federal budget and of the GNP that defense will represent out into the future as compared to 1950. What interests me is that in 1950, we were not diverting from the defense budget a whole series of items that really come out of O&M that I think affect combat readiness first.

For instance, many people do not remember this committee started the environmental restoration fund with \$50 million to do O&M on bases just to clean up some of the environmental hazards on bases. Some people in the House found out about that and decided there ought to be an authorization, and now we have got \$5.6 billion coming out of this budget. This defense budget is putting up \$5.6 billion for environmental restoration, \$400 million for the Nunn-Lugar moneys—and I think we all support the assistance to Russia, in terms of aid to meet the weapons reduction commitments that they have made.

We have got United Nations peacekeeping at \$300 million here. Defense conversion is \$3.3 billion. And, as you pointed out, we are going to go through another base closure round. That will be increased in the future.

For NATO headquarters we have another \$100 million. For NATO infrastructure, \$200 million.

I will bet not many people in the country realize that the NATO allies are not increasing their burdensharing as they committed to do, and most of them even are not paying their residual NATO bills.

But my point is, out there, when you get to the point where we are at 2.8 percent of the Federal budget for defense, as compared to 4.4 percent at the very depth of the demobilization in 1950, from World War II, almost 5 percent of the moneys in the defense budget are not for defense.

Now, cannot we do something about shedding some of these nondefense items from this budget so that when we get out there to the end of this century, our defense moneys will be truly defense moneys? If you had that, you could have an ongoing stealth research and construction program. If you had that, you would not have to close some of these bases. If you had that, you would not be worried about trying to keep the forces both in Europe and in Japan and Korea on forward-deployed bases.

My point is, are we not taking from defense the moneys that are absolutely necessary to maintain readiness in terms of overseas deployment?

NONTRADITIONAL DEFENSE SPENDING

Secretary PERRY. That is a real problem, Senator Stevens. There is a much higher percentage of the defense budget that goes for nontraditional defense items today than ever before in history, and certainly dramatically more than in—going back to the fifties, as

you were referring to. And, therefore, we do not have as much efficiency per defense dollar, you might say, than we had then.

We can deal with that in several different ways. The easiest way for the Defense Department is to increase the top line to accommodate them. But that does not seem likely to happen. The second way we can deal with them is take out some of the items out of the defense budget, although it is not clear exactly where they will go. The environmental restoration, for example, are really non-discretionary items. They are actions we have to take because of the sins of the past.

We are doing something, as I mentioned, to reduce that problem in the future by incorporating prevention pollution programs. But, in terms of pollution already incurred, that is a bill that is to be paid. And the only argument is, who pays it. There are still other possibilities of increasing the efficiency in the way we do business, reducing our overhead and infrastructure, so that we can take up some of those nondefense issues with the savings generated by that. And, of course, we are trying to do those. But it is hard to put a precise number on the savings that are going to be achieved from that.

So, it is a tough problem.

Senator STEVENS. Well, I wish you would put the inspector general on that environmental restoration program. Some of the projects that have been reported to me indicate that they are really environmental enhancement programs. We do have some pollution—there is no question about it—on ex-military bases, as well as existing military bases. But the moneys that are being used are used to enhance and make into parks and other things the military bases and ex-military bases that I do not really think go just strictly to eliminating the pollution.

And when you tradeoff putting up a park—and I am sure that many people would like to have it—but you trade that off against the concept of having troops where we must have them in Korea, in Japan, and over in Europe. I think there ought to be some real hard-headed analysis of this money that is going out of the defense budget.

Well, I do not want to belabor that.

BOMBERS VERSUS SUBMARINES

Let me get to the item that Senator Inouye mentioned. As you know, I have opposed the Seawolf. And I know it is a good system, but I feel that in the future we need the mobility and the capability of showing the flag that we would have with a bomber fleet that we do not have with a stealth submarine. But the real problem is that I see now we have ended the deliveries of the 117. We went out and saw the last two B-2's coming through the plant.

We are not only losing the industrial bases associated with bomber construction, but we are losing the initiative in terms of total improvements of the stealth concepts. Because we were evolving the stealth concept. As every one of the planes came out, there was some new improvement. I think this last one is just a model in terms of stealth as the current technology will provide. But we will not get a new fighter now until 1999, if we get it, the 22.

Do we not need a bomber force a lot more than we need a submarine force—at least a stealth submarine force?

Secretary PERRY. That is a tough comparison to make, but if I had to choose between those two I would say my answer would be "Yes."

Senator STEVENS. I would, too. But the real problem is—

Secretary PERRY. I would really like to have both.

Senator STEVENS. Well, I sort of laughingly said, maybe we ought to put the Seawolf money into a fund and let you make the decision. I think I will not be able to do that any more, because you have already agreed. But the real problem is that if you look out into the future, we should have more bombers. We also need more airlift.

C-17 PROGRAM

Now, the other thing I did over the last recess was to look at the C-17. It continues to have problems. But when I look at the transport capability for our country, in terms of defense, the 141's are going out of existence, the 5's have had just immense problems—they are not going to last much longer. The 130's ought to be out already. And by the turn of the century, you have to have the C-17 or we will be like what we are in sealift—we will have no airlift.

Are we going to be able to get the answer to the C-17, is one question, and do you think we have got enough money here to keep that going, so that by the time that the 5's and the 141's do expire, that we will have C-17's on the line?

Secretary PERRY. Two different questions there. The first is we inherited a very troubled program in the C-17. But we also inherited and believe in the need for the C-17 very strongly. And it is unquestionably the first priority for the Under Secretary of Defense to bring that program in and to bring it in as an effective and efficient program. He cannot guarantee me success in that, but he can guarantee me he is putting in every effort to get a successful program on it.

Given that we succeed in that program, yes, the time phasing is such that the C-17 will phase in adequately with the C-141 phasing out. It is always possible to have an unexpected disaster in an aging airplane like the C-141. We had, as you are probably aware, a substantial problem with it just a number of months ago, in which we had to ground a substantial percentage of the fleet. That fleet is now coming back on line again, and I think the number is something like 70 percent of them are now back and operating.

Senator STEVENS. On the 141's?

Secretary PERRY. On the 141's; yes.

And by the end of the year, we will have 100 percent of the C-141 fleet operating again.

Senator STEVENS. But 10 years from now, they will be gone like the 52's. If you do not have the 17's, we will not have an airlift.

Secretary PERRY. Our projection is that the C-141's will be effective in the force through the introduction and the complete introduction of the C-17's, barring a catastrophe in the C-17 program. I admit to that concern. But, on balance, I would say the probability that we will pull the C-17 program off is good.

Dr. HAMRE. Senator Stevens, we are also requesting in this budget funding for nondevelopmental aircraft to complement the C-17, to replace the 141, or potentially be a follow-on for the C-17 should it not be able to recover from its problems. We have it fully funded through the 5-year plan to go back and forth between the C-17 or nondevelopmental items. So, we protected the Department's option. It is not a decision to abandon the C-17 at all. It is to make sure we have an alternative after we can see if we have worked out the problems of the C-17.

Senator STEVENS. I saw that. And it sort of worries me a little, because this committee, at one time, after the other three committees had canceled the 17, resurrected it and said, build it. And we said that because—or at least I think we shared the feeling—there was nothing there yet on the horizon that would meet the timeframe for the airlift which we must have if we are—by definition, we are out of sealift—if we do not have airlift, our whole concept of going down to the numbers that you mentioned there is just totally fallacious.

Secretary PERRY. That is absolutely correct.

Senator STEVENS. We cannot do it without the air mobility that the C-17 will give, not only in terms of troops, but in terms of wide bodies, particularly the tanks. So, I think that unless you can come up with a replacement of a wide body to replace the C-17 in the same timeframe, we are out there somewhere without an airlift for our military that is designed to prevent crises from developing, and it is designed totally upon the adequacy of airlift. I would urge you, let us get together and find some way to save that. If you want to follow on that, go ahead.

Secretary PERRY. I can assure you, Senator Stevens, the C-17 is the highest priority program in our development today.

Senator STEVENS. I think that the committee has all heard, as I have, that you have been called the father of stealth. I hope that you will be—and I think that is true—I remember when you were here before—but I hope you will be not only the father, but the grandfather of getting that airlift in place. Because it is absolutely necessary, in my judgment.

TRAVEL TO THE PACIFIC AREA

Last, we have been going to the Pacific every year, and I note you have been to the European area twice. I have missed it, have you been to the Pacific?

Secretary PERRY. Yes; I have, Senator Stevens. That was my first overseas trip, to Japan and Korea, Pearl Harbor and Alaska. [Laughter.]

Senator STEVENS. Now, you have done it. I must have missed that while we were off on our trip. But I do commend to you that the problem of economic growth and trade and security in the Pacific is becoming increasingly difficult. And I would hope that we give that the same attention that we currently are giving to NATO right now.

Secretary PERRY. We will. And I can assure you I will be back over there again soon.

Senator STEVENS. Thank you very much, Mr. Chairman.

Senator INOUE. Thank you.

Mr. Secretary, you better be prepared to the question, have you been to South Carolina? [Laughter.]

Senator Hollings.

Senator HOLLINGS. Yes; the Secretary has been down to Charleston helping us with the base closure and trying to reconfigure what is left.

I want to emphasize the airlift program though, because I have got other figures relative to that C-141. The entire fleet of 214 planes, Mr. Secretary, we commenced construction and delivery on them back 30 years ago, in 1963. And they were only given a 30-year warranty. And they are all now beyond warranty just about. I recall January 1991, 3 years ago, on that New Year's morn down at Charleston Air Base before we jumped off on the 13th into Desert Storm. We were going around the clock, with the gold crew and the red and the blue crews, 24 hours a day, palletizing two C-141's that took off from Charleston, SC, and 17 hours later landed in Dhahran.

And that was the best we could do. And that was with a 5-month grace period given us to get ready. Now, with the posture of trying to respond to two fronts at once, I am afraid one of those fronts is going to have to be here at home, because you are not going to be able to get them there. You have had 150 C-141's grounded for fuel tank problems that have just been repaired, and 100 more with different defects.

So about 30 percent are still out, and will not respond or be repaired for full duty until December of this year. The repair does not extend the life, of course—it just says you can get the plane back up. And we only have five C-17's in the fleet right at this minute, with six planes per year. It seems to me, with the remaining 29 not to be delivered in 2 or 3 years, we may have cut ourselves short trying to discipline a flawed contractor.

I worked with you and the Pentagon and I understand your appreciation of the C-17. And I have seen you in the pilot's seat of the C-17, as you well know. So, I know you are very familiar with the program. But it strikes me, as Senator Stevens and all of us are emphasizing, we do not have sealift, and this does not give us airlift for any two fronts at all.

We are not going to get 5 months' warning for readiness. You can have the troops all ready around here, but unless we can get them there, we better hope the enemy comes and invades us here, so we can then perform. Because we cannot get them out anywhere else. We just do not have the lift to do it. And that contract ought to at least get back to 12 planes per year if we are going to be able to deploy.

I just do not understand cutting back from 12 to 6 and then talking about readiness. You have been cutting with respect to the procurement budget. I think you have cut it too close to the margin here on this one.

C-17 PRODUCTION LEVELS

Secretary PERRY. I would invite you, Senator Hollings, to have Dr. Deutch come over and give a detailed description of his plan on the C-17. But I have had such discussions with him, and will tell you that the judgment of taking it from 12 to 6 per year re-

flected no lack of interest in getting C-17's. It reflected his judgment that that was the best way of maintaining a well-managed program with maximum pressure on the contractor and minimum commitment to production until all the problems were fixed.

So, that was the issue he was concerned with.

Senator HOLLINGS. And I appreciate that. And that is where I think maybe we have made the mistake, in trying to discipline that flawed contract, we have come down too much on the side of discipline and not on the side of result. Because we have got a bigger problem than some of the flaws that they are talking about that are easily repaired. The planes are flying. And they have been doing a real good job from where they are based—that we know of.

And the Air Force—MAC command, they really like that plane very, very much.

Secretary PERRY. They do, very much. When it works, it works very well.

Senator HOLLINGS. If the pilots had misgivings about it, then you know I would be worried to death. I just think we have cut back too much here. Senator Stevens was pointing out in his questioning that these planes are over 30 years of age, and have had unusual stress. I guess that was the point I was trying to make, having been out on the flight line, working with them. They were going 24 hours a day. They got wing cracks and other problems from going around the clock back in Desert Storm. And they have already lived more than the 30-year life span. I think they are worn out. And that is what all the pilots are telling me.

ENSURING AIRCRAFT RELIABILITY

Secretary PERRY. They are worn out. Let me make two points, though. The first is that I still have in mind, and you probably—you go back as far as I do in defense—the specter of the C-5, where, after we built it, and after we produced it, we learned about a wing problem. And it was an enormous expense to fix it once we had built all those airplanes. So, I do not want to repeat that mistake.

Second is that while the C-141 is an old and a tired airplane, we do have something called the Lead Fleet Program, where we have certain airplanes that have the maximum number of miles on it, and we check them very carefully for indications of problems. And that gives us our best estimate of how much life is left in the fleet than, for example, the warranty of any projected life at the beginning.

So, the Air Force does keep a very careful tab on those airplanes that have the most hours on them, the lead the fleet airplanes, and we do believe we have enough life in this airplane to take us through the end of the century.

Senator HOLLINGS. Well, very good. I will get together with Dr. Deutch on it. I appreciate it very much.

Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman.

Mr. Secretary, it is good to have an occasion to be with you and to ask a few questions.

Secretary PERRY. Thank you.

IS THE DEFENSE PROGRAM UNDERFUNDED?

Senator DOMENICI. First of all, is the defense budget underfunded?

Secretary PERRY. I do not mean to be flip, but underfunded relative to what has to be your question?

Senator DOMENICI. Relative to your own bottom-up review.

Secretary PERRY. This fiscal year 1995 and the Future Years Defense Program [FYDP] plan we have presented here will fund the "Bottom-Up Review" with about four—I cannot give you a simple yes or no, I have to give you about four qualifications, four major things that could go wrong.

Senator DOMENICI. Fine.

Secretary PERRY. Which would lead you from a "Yes" answer to a "No" answer.

Senator DOMENICI. Of course, whatever you want to say, just explain it to us. I think it is underfunded, and I think you know it is. I do not know the amount, but you all have said it is \$20 billion underfunded yourselves at one point.

Secretary PERRY. The biggest problem with this budget relative to doing the bottom-up review is the process that Congress uses to determine out year budgets. And that is, it is based on then-year dollars instead of constant dollars. And, therefore, what this budget can do is entirely hostage to what inflation will be in out-years.

Already, from the time we first put the programs together until the time we submitted this budget, there was a change of inflation which led to a \$20 billion underestimate. Now, what that means is we have the same programs to do, the same top line, but each dollar is worth less for doing it. And that is where the \$20 billion is.

By the time we get to submit the 1996 budget, that \$20 billion may be either up, down or sideways, depending on what happens to inflation between now and then. And, therefore, with this peculiar—what I would call peculiar—way of determining budgets, there is no way of answering the question objectively. It simply depends on what happens to inflation, because we do a program determination based on real dollars and real programs, and the budget against which we are measured is in then-year dollars.

That is the biggest uncertainty.

Senator DOMENICI. Mr. Secretary, maybe what I would ask, because it might shed more light on this and you will have to make some assumptions with reference to this inflation and the like, when will the Department release the out-year details of this budget plan?

Dr. HAMRE. Senator Domenici, we have finished the preparation for the FYDP, the details are for final release within days. If I might amplify on what Secretary Perry said.

Senator DOMENICI. Sure.

Dr. HAMRE. The question that was before the President and Secretary Aspin was what to do about an inflation estimate that was higher, that was a \$20 billion problem for us in the out years. Since that time, and CBO's reestimate now has that reduced to an \$11 billion problem, again, very small economic changes will have

this impact. Less than two-tenths of 1 percentage point change has resulted in savings of nearly \$8 billion.

And so, it is very hard for us, with certainty, to say, have we properly priced? We have properly priced the bottom-up review program that is in the FYDP. It was, at the time we prepared it and the President approved it, \$20 billion over the top line. It is now apparently \$11 to \$12 billion over the top line.

FUNDING INCREASED PAY

Senator DOMENICI. Well, it seems to me, when you first released the "Bottom-Up Review"—and it is for either of you—that you took into consideration some proposals that the President had made through the previous Secretary that Congress did not follow, like pay. We increased pay; you did not have pay increase.

Now, are all those taken into account now, and they are in the budget as part of the reality, not what you wanted?

Secretary PERRY. Yes.

Senator DOMENICI. And do you have any more of those?

Secretary PERRY. The pay is in the budget, and that is why the 1995 budget, as I showed you in the chart, instead of showing a big decrease, shows an almost flat line. That is one of the biggest changes that was made, was the increase in the top line we got to accommodate the pay change.

Dr. HAMRE. Senator Domenici, may I follow up? The President raised our top line by \$11.4 billion, which was what it took to properly fund the tail of the tail of the pay raise that was provided by the Congress last year. Another element of the program that at the time the "Bottom-Up Review" examined was the degree to which the savings that were embedded in the budget from the previous administrations of the Defense management review were indeed there. We went through an expensive review through the Odeen Panel to determine whether they would be or not. That panel concluded that they were going to be \$23 billion short, and back in September of last year our top line was raised by \$13 billion to make up for that shortfall. So we believe the program is as properly priced as we currently can do it.

REINSTATING THE FIREWALL

Senator DOMENICI. Senator Nunn and I, I think maybe by tomorrow or thereafter, will have 30, and the list will be growing, Senators bipartisan who are on a bill to reinstate the defense wall at the President's level for 3 years, so that Senator Stevens' question about the \$5.6 billion in cleanup will be truly relevant. So long as we have no wall the question does not make very much difference. If you take it out of there and put it in domestic it is still one pot of money. There are no walls, so you cannot attempt to get defense what you claim it is entitled to, because in the end it all goes into one pot.

The President said unequivocally, and I do not have his words but I think it is fair to say on more than one occasion, in his State of the Union Address we have cut enough. He even said that some around him wanted to cut more and he had over-ridden them and

there would be no more cuts. Now, certainly I do not think you were one of those, based on your testimony here today.

Secretary PERRY. You are right.

Senator DOMENICI. But it seems to me, Mr. Secretary, the President ought to support the reinstatement of the walls at his level, and we are going to ask him to do that. Do you have any idea whether he might support that or not?

Secretary PERRY. First of all, let me say I respect and appreciate the motives of people who are asking for the firewalls. I know why you are doing it and I think those motives are entirely correct.

Second, the President does not support them.

Third, as far as I am concerned, I got from the President a strong and unalterable commitment to stand by this budget. And that gives me the comfort I need to proceed with these programs, to proceed with this 5-year program on into the future. That is the commitment which is most meaningful to me.

Senator DOMENICI. Mr. Secretary, on the other hand the President, having said it so often and repeated it again since then—I do not question that. What I question is whether Congress, as it appropriates money, since it is all in one pot, will take from defense to pay for some of the other things that they feel are short-changed. Now, I am not going to go back through and tell you how much that has occurred in the past 2 years since the wall is down, but it is substantial and it is going to continue. You all can say it will not, but it will continue, and it seems to me the President ought to help us protect against ourselves.

So I am not questioning his integrity. He is probably going to approve a budget exactly the way you are going to ask for it consistent with the review that has been made, unless something very significant happens and he needs more. I believe him. But I would just share with you that that is not necessarily going to take care of things and I am kind of worried about it because I truly believe we are getting closer and closer to taking defense money and spending it elsewhere. And it will get more easy rather than more difficult because the discretionary pool of money is finally coming to where it is really being squeezed. You understand that.

Secretary PERRY. I do understand that.

Senator DOMENICI. The first 4 years of that 1990 agreement was pretty much comity to the appropriators, but the fifth year it starts to squeeze, and the way Congress put it in for the next 4 years it is pretty tight. So I hope when we send this to the President if he asks for your advice you might at least say you have heard the other side of it from me.

COUNTERPROLIFERATION

My last question has to do with Secretary Aspen's very excellent speech with reference to counterproliferation. Frankly, having seen what the Defense nuclear laboratories did in an integrated way, the big three plus a piece of Oakridge—that is, Los Alamos, Sandia, Livermore, and a part of Oakridge—what they did in an integrated manner to make sure we had a nuclear deterrent was masterful. It was truly done on the basis of the very best talent in the world, assessing what is happening out there, and what can

you do and using all kinds of science and physics and other things that are in these laboratories.

Now, I hope that you have in mind for counterproliferation a real American effort at integrating a system under somebody's control so that we will not necessarily have another North Korea or Iraq. I think you know the experts say if we have an integrated system we may be a lot better prepared in 5, 6, 7 years to know everything about that whether they let us on board or not and be able to predict what might be done about all kinds of tactics that might be used in terms of proliferation, and I might add for those who think it is all nuclear, the bigger proliferation that is worried about by military scientists is chemical and biological, not as much nuclear in terms of blackmail and getting something like that done.

Do I have it right that consistent with available money you truly intend a program that would integrate the resources of our country and have a game plan that befits a country as talented as we are in this whole area?

Secretary PERRY. I share your emphasis and priority on this problem. And indeed, we have put a very sharp focus on achieving it.

I would not say, in all honesty, that we have yet achieved the tightly integrated system approach to it that we had in the nuclear weapon program. That was a model which we can hold up to ourselves. But it will be very difficult to achieve the effectiveness of that model.

Senator DOMENICI. But you would like to move in that direction?

Secretary PERRY. Yes; I would.

Senator DOMENICI. Thank you very much, Mr. Chairman.

Senator INOUE. Thank you very much.

Senator Bumpers.

Senator BUMPERS. Mr. Chairman, honesty forces me to say I think Senator Lautenberg was here before I was.

Senator INOUE. Senator Lautenberg.

Senator LAUTENBERG. Thank you. I thank my colleague. That display of courtesy is so welcome.

Mr. Secretary, glad to see you here. I saw you on the Sunday show and thought you did very well. I wish you well in this new post of yours.

POST OF BURDEN-SHARING AMBASSADOR

Perhaps you know I have been a strong advocate of the post of the burden-sharing ambassador created by Congress in 1989. The administration says it shares my goal of soliciting greater contributions for the common defense from our allies. Has the ambassador at large for burden-sharing been an effective post?

Secretary PERRY. I believe that it has. The reason I am hesitating, Senator Lautenberg, is that the measures of effectiveness, objective measures of effectiveness, are hard to obtain. He has certainly met with, gotten the message across, and we have had some modest results. But we have not achieved the results that I am satisfied with in this area yet, and, therefore, I would have to say that we are not there yet.

Senator LAUTENBERG. Should we keep someone in that post, do you think?

Secretary PERRY. Yes; I believe we should.

RESIDUAL VALUE PAYMENTS

Senator LAUTENBERG. Let us talk for a moment about residual value payments. One of the things that concerns me is not that we are making a commitment for our common defense with our friends and allies, but we assume an unusually large financial burden to do so. And I think that greater participation by these other countries is in order.

As we reduce our presence in Europe, I think we ought to recoup the value of our investment in the facilities we turn over to the host nations. And, as you know, through a series of residual value agreements some of our allies have agreed to repay us for the value of the facilities that we leave in those countries.

The Defense Department has estimated that in Europe our investment is \$6.5 billion, almost \$4 billion of that in Germany alone. As of December we had turned over 54 percent of our facilities slated for closure in Europe, over 60 percent of those in Germany. But we have not done too well recouping our investment. Over the past few years, we have collected, I understand, less than \$50 million in residual value payments out of the billions that we are owed. The German Government has budgeted only \$25 million this year to compensate us for what we have left behind.

How much of that \$6.5 billion in infrastructure we have invested in Europe might we recoup, and when might that be?

Secretary PERRY. I wish I could give you a confident answer on that question, Senator Lautenberg. Our history has been dismal to date.

Senator LAUTENBERG. Has a payment schedule been developed that is supposed to be met?

RESIDUAL VALUE NEGOTIATIONS WITH GERMANY

Dr. HAMRE. Senator Lautenberg, we have a strong provision in our Status of Forces Agreement with Germany for a residual payment. We do not have really comparable provisions in most other of our treaties with our NATO allies. We have currently or are scheduled or have announced that we will return, I believe, approximately, by our evaluation, \$2.5 billion worth of property or improvements.

We have a fundamentally different approach on the United States side for estimating residual value than do our German allies. Our methodology is to take the original purchase cost, depreciate it for wear and tear and outstanding repair costs, and then inflate it to bring it up to current dollars. The Germany Government has a very different philosophy and approach which is there is no residual value to an underground bunker or to a hardened airplane facility if we are never going to use it, and, therefore, it is its economic utility to the economy that is the basis for their estimation of residual value, not the original construction costs.

Now, in some instances it is not hard to come to a meeting of the minds; for example, on an apartment building. It is very difficult on things such as taxiways, hard stands where we simply parked tanks, things of this nature which really do not have an

economic value to the Germans or they feel do not, and yet we have invested a fair amount to develop it. We are in the process of continuing to try to negotiate and resolve that.

Now, there has been I think an important development in the last 18 months or last 12 months, which is to trade for payment in kind as opposed to cash payments for residual value. And while we have received in cash payment probably in the neighborhood of between \$25 and \$40 million is all, we have received in the last year over \$100 million of payment in kind or agreements for \$100 million of payment in kind. These are bills we would otherwise have to pay, and so they are valid contributions against our ongoing requirements.

There is an ongoing vigorous effort on the part of our Government and our people in Europe to try to promote payment in kind to offset these outstanding liabilities.

Senator LAUTENBERG. I am surprised that we are stuck in an accounting debate with our friends in Germany. It would seem to me that you cannot do present market computations on facilities if the understanding was originally that we were going to be compensated for the value that we left behind that is unamortized to date. But it suggests a lot of work remains to be done if those sums are to be recoverable.

Dr. HAMRE. Yes, sir; the Status of Forces Agreement specifies that we do have residual value rights, but it does not specify the method of valuation or computation. And so that is something the two sovereign governments have to resolve through dialog.

Senator LAUTENBERG. If we paid for it, we ought to get back whatever residual value is left. There is a report that was due no later than January 31, 1994, on DOD's residual value negotiations. We do not have it yet. Do you know when that might come?

Dr. HAMRE. Sir, I do not know personally. I apologize. I will find out and report to you by close of business tomorrow.

Senator LAUTENBERG. And subsequent reports are required every 3 months thereafter. If we could get that it would be very helpful.

Dr. HAMRE. Yes, sir.

[The information follows:]

The report was provided to the Chairmen of the Senate and House Armed Services Committees and to the Chairmen of the Senate and House Appropriations Committees on January 31, 1994.

Senator LAUTENBERG. Mr. Chairman, just one last comment. As I said earlier, I believe that our contributions for stationing costs ought to be met as much as possible by our friends and allies. In 1993 the American taxpayer spent almost \$10 billion on overseas basing costs. Everyone understands this does not include salaries. We pay their salaries. But the ancillary costs, the amenities, ought to be considered part of the covered expense that we share.

Japan and Korea are paying a much larger share of basing costs than the Europeans. Japan pays 72 percent of these costs. They have agreed to go up to 75 percent. Our NATO allies contribute roughly 25 percent. I offered an amendment last year to increase the allied burden-sharing for overseas basing costs. Secretary of Defense Aspin and Secretary of State Christopher opposed it. In a letter to Sam Nunn they said they shared Congress' concern about

equitable burden-sharing and that this remained a primary administration policy.

The letter went on to say we were going to continue to negotiate vigorously arrangements with our allies which seek to be more beneficial to the United States, and Secretaries Aspin and Christopher pledged to do their utmost to achieve the lowest possible stationing costs through determined negotiations.

Meanwhile, Germany's overseas basing costs have been declining over the years: DOD figures show that Bonn paid \$1.68 billion in host nation support in fiscal year 1992 and \$1.42 billion in fiscal year 1993.

DOD estimates that Germany will contribute \$1.336 billion in fiscal year 1994. Now, that is a reduction of \$344 million from the starting point.

In light of the administration's vigorous negotiations, what kind of an increase do you think we might see in terms of Germany's contribution toward our overseas basing costs in 1995?

Secretary PERRY. We will get back to you with that one.

[The information follows:]

At this time we do not expect an increase in Germany's contribution. The Germans continue to experience economic problems with the costs of unification and payments to expedite the departure of troops of the former Soviet Union out of their country. Nevertheless, we are continuing to explore ways to reduce US stationing costs in Germany by seeking additional in-kind support, reducing fees and taxes, and increasing cooperative programs.

ASSUMPTIONS ABOUT ALLIED CONTRIBUTIONS

Senator LAUTENBERG. Does our 1994 budget anticipate the European allies will increase their overseas basing contributions?

Dr. HAMRE. We have imbedded in our budget the assumptions for our basing costs in Japan and Korea, consistent with the numbers you outlined, sir.

We had to add funding to our budget request in Korea, because we had previously imbedded in our assumptions in previous years a drawdown of our forces in Korea, which is now on hold because of the environment and the situation in Korea. So we have had to add some funds to our budget this year, and we will be going into discussion with the South Koreans about the additional costs associated with that.

For Europe, I do not know; and I apologize, and will find the answer out for you, about what is imbedded in our assumptions.

Senator LAUTENBERG. We are talking about significant sums of money here. It is important to know whether they are in the budget or not.

A few weeks ago, Mr. Secretary, I sent a letter, along with Senator Leahy, regarding the Army School of the Americas; and I will ask that a copy of that, Mr. Chairman, be inserted in the record, and that the questions I have there be answered in writing at the earliest moment. Thank you very much.

[The information follows:]

LETTER FROM SENATOR LAUTENBERG ET AL.

FEBRUARY 16, 1994.

The Honorable WILLIAM PERRY,
 Secretary of Defense, Department of Defense, Washington, DC.

DEAR SECRETARY PERRY: We are writing to inquire about the Army's School of the Americas (SOA) program, which is funded, in part, through the International Military Education and Training Program (IMET). As you know, concerns about wasteful spending and the human rights component of the program have been raised about the SOA. Many of those concerns are outlined in the attached documents: the floor debate in the House of Representatives on an Amendment offered in 1993 to cut the budget of the SOA as well as a "Newsweek" article and other press reports.

In light of serious allegations that have been made about the SOA, and related GAO recommendations on the human rights component of the IMET programs, we would appreciate your response to the questions outlined below.

GAO report

1. A September 1992 GAO report recommended "that the Secretary of Defense direct the Director of the Defense Security Assistance Agency to (1) complete the implementation of a mechanism to evaluate the effectiveness of the Expanded IMET Program, as well as human rights awareness training included in the regular IMET Program; (2) revise the Security Assistance Management Manual to reflect the language in the Foreign Assistance Act concerning human rights awareness training to international students; and (3) develop programs that will make more specific human rights education available to international students." To what extent have these recommendations been implemented?

Student selection

2. Does the Defense Department have any information indicating that graduates of SOA have violated internationally recognized human rights? If so, please provide us with this information.

3. To what extent does the United States government attempt to screen out potential human rights abusers from SOA? How does the screening process for SOA compare to that of other IMET programs? What is the process of screening SOA guest instructors for their human rights record?

4. How many candidates have been denied entry to SOA on human rights grounds in the past 5 years? In the last year?

Human rights curriculum

5. What portion of the overall SOA curriculum does human rights represent?

6. What type of course work is included in the human rights curriculum?

7. Is the SOA human rights curriculum different from the human rights curriculum in other areas of the IMET program?

8. To what extent has "Expanded IMET" been incorporated into the curriculum?

SOA instructors

9. How many instructors teach at the SOA, how many are from Latin America, and how much of their course work is presented in Spanish?

10. What level and type of courses do the Latin American instructors teach?

11. Are foreign instructors used in any other program of the U.S. based IMET program?

12. How much time do American military instructors spend in the classroom?

13. To what extent are the American instructors proficient in Spanish?

14. What is their oversight role?

Integration of SOA students

15. To what extent are SOA students integrated into the mainstream military education courses at Fort Benning?

16. To what extent do SOA students have contact with American military personnel at Fort Benning outside the classroom?

Military-to-military contacts

17. Is the Administration developing new programs to promote military-to-military contacts in Latin America and other regions, especially in light of funding reductions in the IMET Program?

18. What role will human rights training play in such programs?

SOA budget

19. How much has the SOA spent in the last five years on field trips to the places mentioned in the attached summary of the School's activities dated March 19, 1992 (i.e. Atlanta, Six Flags, Disney World, Kennesaw Mountain, New York City, Washington, DC, Norfolk, VA)?

20. What is budgeted for the current fiscal year for these activities, and for fiscal year 1995, and how does it compare to the Informational Program budgets for international students at other U.S. military schools?

21. How much has the SOA spent in the last five years on representational activities (i.e. parties and other social events) and what is budgeted for the current fiscal year and for fiscal year 1995?

22. What has the SOA spent in the last three years on transportation for Latin American officers who served as instructors, and for their families, between their home countries and the United States?

23. What salaries and living allowances, if any, have been or are paid by our government to these officers?

24. Do SOA students continue to draw pay from their government and/or a stipend while they attend the School?

We look forward to your response to our questions.

Sincerely,

FRANK R. LAUTENBERG.

PATRICK J. LEAHY.

JOSEPH P. KENNEDY II.

RONALD V. DELLUMS.

Senator INOUE. Senator Bumpers?

Senator BUMPERS. Thank you very much, Mr. Chairman.

And Secretary Perry, welcome, once again. I was very pleased by your appointment. We had a great relationship back in the seventies, and hopefully, that will continue.

When I look at all of this, I am reminded of that great Bessie Braddock story. One night, with Winston Churchill, she drew a line on the wall and she said, I'll bet if you hid all the whiskey he'd ever consumed, it would fill this room up to this point. Churchill looked at the line, and he looked at the ceiling, and he said, "So much to do, and so little time in which to do it."

And that is the way I feel about this. There is much more that I would really like to go into here than time permits. But let me just say that, from a sort of overall view, the truth of the matter is Congress very seldom kills a weapon system. Unless the Pentagon decides that a weapon system ought to be killed, you can almost bet that Congress will not kill it.

Having said that, incidentally, I would like to go on the record saying I strongly disagree with Senator Domenici's proposal to establish firewalls around the Defense Department again. I am not saying that some weapon systems ought to be eliminated just for the purpose of putting the money in education or health care. But to give the DOD the kind of sanctity that that kind of amendment gives it is, I think, foolish in the extreme; and it has nothing to do with preparedness, it has nothing to do with an effective, efficient defense system. But my point is this: There are places where the Defense Department, in my opinion, can still save quite a bit of money, without jeopardizing our force posture one iota.

There are two areas I would like to discuss with you just briefly, and then I have some written questions that I will submit later.

No. 1, I believe that Milstar is a tremendous expense, and with virtually no justification. As you know, Milstar was conceived as a communication system, to fight a prolonged nuclear war with the Soviet Union.

Not only does that threat not exist anymore, but if you look at the capability of Milstar compared to its cost, and then you compare the alternatives to it, it just seems outrageous to me that we are embarking and about to expend somewhere in the neighborhood of \$8 billion for a system that we simply do not need and is outdated. The whole concept is outdated. Would you care to comment on that?

MILSTAR

Secretary PERRY. Yes; when I came into the Defense Department about a year ago, one of the first systems I looked at was Milstar, precisely for the reasons that you have outlined.

I found two things about it which were significant: First is that the system, as then configured, already had had some dramatic changes made in it, from its original design; and we made further changes in it to reflect the change in mission. It was originally intended to be a communication system, to work in a nuclear war; and one of the consequences of that was the design of the system, which made it very much heavier, very much more expensive to operate in a nuclear environment. Those requirements have been removed from the system.

And at that point then, one could fairly ask the question: Can we not meet the communication requirements of the military—which are very real, the connectivity of all the forces in tactical as well as strategic situations—with commercial communication satellites? And, at our first approximation, the answer to that question is “Yes.”

The deficiencies of doing that, as nearly as I could identify, boiled to one particular point, which is the susceptibility of the commercial satellites to electronic countermeasures; to jamming, in short. There are many other differences between Milstar and communication satellites, but that is the one which is important, I think.

And so, to the extent the present-day Milstar system is justified, not to supply military communications which everybody agrees are needed, but to supply them with a uniquely designed system instead of using commercial satellite systems, is because of the antijamming capability that it has. That is the basis on which it should be judged and evaluated; and that is the basis on which we evaluate it.

You can make an argument that—you can make two arguments proposing alternative systems. The first is: Go to commercial satellites, and simply give up on the antijam capability. We discussed that explicitly for a couple of months last spring; and decided against that. We are not infallible, and the judgment may have been wrong; but that was very explicitly discussed. We concluded that the antijam feature was important.

The second alternative would be, say, “Fine. That is really what we need. And could we design from scratch, from the ground up, a system which had only that difference between that and the commercial systems? And would it not be cheaper than scaling down the system which was originally designed for a much more complex task?” The answer to that is probably “Yes,” too.

It would require pretty much starting over again, and building a new system from scratch. We could save money doing that. We

would be, probably, 8 to 10 years away from having the system. So that was the tradeoff we made there.

Those were the two choices that were made. Unlike the Pope, I am not infallible; and I cannot say those have to be the right judgments. But that is the basis on which we decided to continue with a stripped-down Milstar. A stripped-down Milstar is still a very expensive system.

Senator BUMPERS. The antijamming devices with which Milstar is loaded also carry a separate set of problems, does it not, in communicating? Does it not also make the communications for the receiver very difficult? Does it not sound like Donald Duck?

Secretary PERRY. I do not believe that the communication links on the Milstar will be low fidelity, Donald Duck-type systems. It does introduce—we go digital, and some early digital technology, low bandwidth digital technology, had the effect which you describe. We have since learned how to code a digital communications, low bandwidth that does not have that quality.

Senator BUMPERS. Milstar also has a very limited number of calls it can take simultaneously, does it not?

Secretary PERRY. Yes; any low bandwidth system. One of the features, the real disadvantage of some of the antijam capability is, you use some of the bandwidth for antijam features; and, therefore, that leaves you less bandwidth either for channels or fidelity of communications. Both of the points you are making are valid points.

Senator BUMPERS. Mr. Secretary, let me say I am very pleased to know that you obviously, at least at some point, shared my concerns, and have spent quite a bit of time on it.

Secretary PERRY. I did.

Senator BUMPERS. That would indicate to me that that might be one of the areas where you will find the additional \$11 billion that you are going to be required to find over the next 5 years.

Mr. Chairman, that took a little longer than I thought. Now, if you will indulge me a couple of more quickies. I have spent the last 2 years trying to convince DOD that detubing the D-5's, in order to carry 12 missiles with 8 warheads each, is a big, big money-saver, with no impairment of strategic capability.

I must say, I do not know whether it was because of my efforts on the floor of the Senate and the endless speeches I made on the subject, but obviously the Defense Department has cut back rather sharply on procurement; and I am not going to make that whole speech again about detubing.

I disagree with the President. The President says we would have to renegotiate with Belarus, Kazakhstan, Russia, and whatever the fourth country is that has weapons under START II. I strongly disagree with that.

START II has a Compliance Review Commission set up in it precisely to deal with this kind of thing. If it did not, if the Commission did not agree to allow us to detube, which would be—incidentally, this is one of the reasons they have had some difficulty in Russia with the START II Treaty; they are saying, "Ah. You are going to allow them to put 24 missiles on a submarine, with 4 warheads each; and it would take them a New York minute to increase

those warheads to 8, on every one of those missiles." That has been the argument in the Parliament of Russia by the hardliners.

So I feel very strongly that we are making a terrible mistake in, No. 1, planning to backfit our first 8 Trident submarines with the D-5 when the C-4 is perfectly good to be retrofitted itself at a fraction of the cost; No. 2, refusing to buy a lot fewer D-5 missiles which cost 48 million smokes each, and putting 8 warheads on them just as we do today, instead of 4, and save—even today, with your changed procurement—somewhere between \$7 and 15 billion between now and 2010.

And on top of that, the thing that now really perplexes me more than anything is the number of guidance systems we are buying. When we have completed this year's procurement, Mr. Secretary, the Navy will have bought 319 Trident II missiles, D-5 as the Navy calls it, and 520 guidance sets.

Now, that is well in excess of one guidance set for every missile; whereas, on the Minuteman III, for example, we are going to have 22 spares for 630 missiles. Maybe the guidance system for the D-5 breaks much more readily than the guidance system for the Minuteman III; but they are not throwaways. Even when they break, they are repairable. You can repair them.

So why, in the name of God, are we buying so many extra guidance systems? They cost \$8.3 million each. In my opinion, if we stop right now buying guidance systems, we would save a half billion dollars in fiscal year 1994 and still have more guidance systems than we can use with the full complement of D-5 missiles.

D-5 MISSILE PRODUCTION

Secretary PERRY. I would like to comment on several of those points.

First of all, on the detubing, or number of missiles per submarine and number of warheads per missile, I have gone around and around on that issue for a long time; I understand the arguments you are making, and I can identify with them, as a matter of fact.

In the last analysis, I did not support them; and I want to explain to you at least one reason for not supporting them that sets itself aside from the pure strategic issue which you raised and pure arms control issues which you raised.

I do not—I have not very often with this Congress used the term, "preserving industrial base" as an excuse for something I wanted to do. I have done it with the Seawolf, and I have a real controversy in this committee and other places with doing it. But that was my reason for doing it—no other reason—the industrial base reason.

I would argue that, with the strategic missiles as well. I am open to arguments, reducing the number of D-5's we produce. I do not want to shut down the production line of the D-5's. It is the last strategic missile that we are producing. I have exquisite memories of the agony of getting the C-4 and D-5 production line up, and know how difficult it is, and what an art it is to make those properly; and I do not want to lose the recipe, how to do it.

So I would much rather go down to a very low production rate on D-5's and keep them going for a long time into the future than

stop producing them—the same argument I would make about guidance systems.

I think the question you raise about guidance systems, nevertheless, is one that needs some reexamination. The question is not whether to stop the guidance production line, but rather to reduce the rate at which we are producing them. That would not save as much money as you quoted, but it could save some money by bringing the rate down.

So, for both the D-5 and its guidance system, I would argue on the desirability of sustaining an industrial base so that we continue to maintain the capability for developing and producing a strategic missile. We have shut down all of our ICBM's now, as you know. This was the last missile left and I think it is important to maintain a modest capability to produce that missile.

Senator BUMPERS. Mr. Secretary, just in summary, so you can give it a little thought between now and then, I would like to revisit this in writing to you to make sure we are not like ships passing in the night—that we are talking about the same numbers and the same dollars.

TWO-WAR SCENARIO

Second, I want to speak to you about the two-war scenario and ask you—you might just answer this question now: Does that conclusion by DOD, being able to fight two regional wars at once, does that take into consideration any allied help in those two wars?

Secretary PERRY. Let me stress one point. Nothing in our planning, nowhere in our planning do we believe we are going to have to fight two wars at once. The plan was, if we are fighting one war at once, we want to have sufficient strength to be able to deter another war; that is, not invite somebody.

I think it is an entirely implausible scenario that we would ever have to fight two wars at once. What we do not want to do is take a set of actions that would take an implausible scenario and make it a little more plausible by inviting weakness.

Senator BUMPERS. Does it include a holding action plus a full-scale regional war?

Secretary PERRY. In the war planning that was done—and these are paper war plans, Senator Bumpers—I do not want to suggest they are the last word on the question—the force structure that was determined necessary was based on not going into holding action, but moving as quickly as possible into the second war.

The difference between having to go into a holding function, and not a holding function, turned out not to be so much force structure as force enhancements, the most significant one of which was the airlift and sealift.

So, what is laid out in the "Bottom-Up Review" as a two major regional conflict capability did assume the existence of force enhancements, which are not now in the force. On the other hand, one of the wars postulated, which was with Iraq, is against a country which is not capable of fighting one of these wars at this time.

So, it is looking somewhat into the future and assuming two things have happened: First of all, a country like Iraq or Iran builds up that kind of a capability, which they do not now have; and in the meantime, we build these force enhancements up.

NUCLEAR POSTURE REVIEW

Senator BUMPERS. Well, I am concerned about foreign arms sales. I am concerned about the nuclear posture review. I would hate for that to put off too long some of the decisions that ought to be made right now. When is that due?

Secretary PERRY. A few months. There will be important results out of that within a month or two; in fact, this committee may want to request a mid-term briefing on that. And it will be ready for that, I believe, in a month or two. The final study is, I think, this summer.

Senator BUMPERS. Mr. Secretary, I support most of your programs; happy to do it. But, when some of these things fly out at me, I feel duty compels me to raise those issues; particularly when I really can personally see no value for the tremendous amounts of money we would be spending on certain systems.

But I want to be as cooperative as possible. I will send some of this stuff to you in writing.

Secretary PERRY. We always welcome your comments and criticism, and we will try to be honest and responsive to them.

Senator BUMPERS. Thank you very much.

Thank you, Mr. Chairman.

PROLIFERATION

Senator INOUE. Thank you.

Mr. Secretary, several of the members have indicated concern about proliferation; and I hope that we can work out in our schedule a time when we can have, say, an in-depth classified meeting on proliferation?

Secretary PERRY. Of course. That is a subject that is right up at the top of our level of interest and priorities. We will be happy to discuss that with you.

Senator INOUE. Senator Specter?

Secretary PERRY. Did you mean, in particular, nuclear proliferation? Or more generally than that? Weapons of mass destruction?

Senator INOUE. Other weapons, also.

Senator SPECTER. Mr. Secretary, I add my congratulations. When we had a brief meeting prior to your confirmation, I was amazed how fast you were confirmed. I noted all the rules were waived, which is a tribute to you and the importance of the position. I am glad to see you on the job.

NON-U.S. COMMAND OF U.S. FORCES IN FOREIGN COMMITMENTS

Secretary PERRY. Thank you, Senator Specter.

Senator SPECTER. With respect to United States participation in NATO operations, to what extent, if at all, will our personnel be committed to U.N. commands under situations where our own individual field commanders might disagree with the deployment of our personnel?

Secretary PERRY. That is a complex question. Let me try to answer it as clearly as I can.

First of all, U.S. forces are always under U.S. command, right up to and including the Commander in Chief; but we have often put U.S. forces under operational control by the commanders. Nearly

all of the examples, historically, where we have done that, have been in NATO.

We have battalions that are in a division in a maneuver where there is a foreign commander commanding the division. Now, in NATO, ultimately, the Supreme Allied Commander is an American. But there are many cases, then, where we have forces under operational control.

Looking into the future, where we may have forces involved in peace enforcement operations, combat forces that would be involved a United Nations peacekeeping force, our position on that—for example, our position in Bosnia is, if we send forces, ground forces, into Bosnia to enforce a peace agreement, they would go in under a NATO command rather than under United Nations command. They would go in under the United Nations mandate, but a NATO command.

The military operations we have underway in Bosnia today are so managed. They are under NATO command. The shootdown that occurred yesterday was a NATO operation under a NATO commander. The NATO commander happened to be an American, but it was a NATO command. It could have been another foreign commander.

NUCLEAR WASTE DISPOSAL

Senator SPECTER. Mr. Secretary, I note the additional funding this year for environmental cleanup. I also note the \$2.4 billion budgeted for a nuclear aircraft carrier.

My question is: Does there exist a really satisfactory method to dispose of nuclear waste?

Secretary PERRY. The one-word answer to that is "No."

Senator SPECTER. Why are we putting all of our eggs, or so many of our eggs, in the nuclear basket, when we do not have a way to dispose of nuclear waste?

Well, I guess we do not really need to get to the point of the cleanup being so expensive. What are we going to do with the consistent increase of nuclear waste, since we do not possess a satisfactory method to dispose of the waste? Let me thank you for an uncustomarily brief answer.

Secretary PERRY. The answer to your second question, unfortunately, will not be so brief, which is what to do about it. And it is also, I have to say honestly, out of my area of expertise. I have watched with substantial interest the activities of the Department of Energy in this field, to find ways of disposing of waste. I am an informed and interested amateur in that subject; but it is not my business, and I do not propose to be an expert.

Senator SPECTER. Perhaps you could supply a response for the record, in writing, with someone who does know the details?

Secretary PERRY. This is not, as you know, in the Department of Defense area of activity. This is the Department of Energy. We follow their programs with great interest, but we do not, are not responsible for them.

Senator SPECTER. You are ordering carriers which create nuclear waste. If there is no way to dispose of it, I am not going to get in line with a firewall between Defense and Energy. I do not think there is one. It is a question that I would like to have your answer

on, because it comes back to a question which I have pursued in some depth.

NUCLEAR VERSUS CONVENTIONAL CARRIERS

I am in my 14th year now as it relates to an interest of my State, for which I make no apology. The issue is of conventional aircraft carriers versus nuclear carriers. It has always seemed to me that there has been a Navy predisposition to nuclear aircraft carriers. I have never been able to understand this predisposition.

We have a reduced budget. The nuclear aircraft carriers cost in the range of \$6 billion-plus, and they last 25 to 30 years. There is no way to dispose of nuclear waste. We have conventional carriers which have performed tremendous service at a cost of \$800 million. The conventional carriers have a life of 15 to 20 years.

The question that I have never been able to get a satisfactory answer on is: Why do we close the door to retrofitting conventional carriers, when we do need that thrust? Experts have entered this room in recent times and have said, "We need 22 carriers." Then it was down to 15; and then it was down to 14; then it was down to 12; and now it is down to 11. Senator Bumpers raised the issue about fighting two simultaneous wars.

Why does the Department of Defense not give more attention to the role of conventional carriers?

Secretary PERRY. I will give you, in writing, the answer to two questions that, I think, will not answer all of your concerns; but may be a framework for further debate. One of them is, specifically, what are the plans for dealing with the waste from a particular carrier, as opposed to trying to answer the question of, how does the United States in general dispose of its nuclear waste; which I think is a difficult and unsolved problem.

[The information follows:]

The amount of nuclear waste generated by nuclear-powered warships is relatively small. This is best summed up by a General Accounting Office report (GAO/NSIAD-92-256 dated July 1992) on the Navy's nuclear waste disposal plans, the conclusion of which remains accurate today: "The Naval Nuclear propulsion program generates a small part of the Nation's radioactive waste requiring disposal, and the cost to manage this aspect of the program has been relatively low. Although future projections are somewhat uncertain, it is expected that disposal costs will continue to be modest. Over the next twenty years, low-level radioactive waste disposal costs are expected to average about \$90 to \$95 million annually. While nuclear-powered warships represent about forty percent of the Navy's major combatants, the handling and disposal costs of the resultant radioactive waste is only about one tenth of one percent of the total 1992 Navy budget. Experience has demonstrated that this waste can be dealt with safely and at a cost which is reasonable considering the substantial military benefit nuclear-powered warships represent to the national defense."

This GAO report provides information detailing how the Navy handles and disposes of radioactive waste; each category of radioactive material is discussed as well as the State and Federal agencies which are responsible for providing disposal capacity for each category of material. Radioactive waste resulting from CVN 76 will be handled consistent with that from nuclear powered ships currently in operation.

With regard to spent fuel from nuclear-powered warships, the Department of Energy (DOE) is currently preparing an Environmental Impact Statement (EIS) evaluating alternatives for management of DOE spent fuel, including Navy spent fuel, until a permanent repository is available. The Navy is cooperating with DOE in the preparation of this EIS. It should be noted that the Navy's spent fuel represents less than a few percent of all DOE spent fuel and has been managed safely for over 35 years.

CVN 76 will be the tenth nuclear-powered aircraft carrier. To date, the Navy has successfully refueled or defueled 317 reactors, including 24 aircraft carrier reactors.

The CVN 76 reactors will not be refueled before the year 2020 and defueling and inactivation will not likely take place until after the year 2045.

In summary, the amount of radioactive waste generated by nuclear-powered warships, including nuclear-powered aircraft carriers, is relatively small, has been managed safely for over 35 years, and should not be a significant factor in evaluating the authorization of CVN 76.

Senator SPECTER. Is there a difference? Is it easier to dispose of the nuclear waste from a carrier? Is that not part of the other issue?

Secretary PERRY. It is related, of course, to the other issue.

Now, the second is to give you the cost-effectiveness analysis which leads the Navy to their conclusion to support the nuclear submarine, understanding the data analysis is independent to the answer of the first question which you asked.

Senator SPECTER. It implicates the question of nuclear waste, but it is not determinative. As I have watched the progress, in my tenure in the Senate, I have seen the problem grow, and I have not seen any answers to it. There have been a lot of problems.

We have some questions for the record. I would just observe, Mr. Secretary, the report in the press about the United States spending \$575,000 to promote the sale of arms.

I am looking forward to the session on proliferation, and I was very pleased to hear your views in our private meeting. You believe that, as a matter of policy, we ought to reexamine our weapon sales not only as it relates to nuclear and chemical, but also as to traditional weapons. I thank the chairman for scheduling the session on proliferation.

It is late, and I have colleagues waiting; so I will submit some other questions, for the record.

Secretary PERRY. Thank you, Senator.

Senator SPECTER. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator INOUE. Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman. Secretary Perry.

I would offer the appropriate measures of congratulations and condolences on being Secretary of Defense at a very difficult time. I think that the country is well served and the President is certainly well served by having you as Secretary of Defense.

Secretary PERRY. Thank you very much, Senator.

Senator LEAHY. Doctor Hamre, I am delighted to see you again.

Secretary Perry, you were very heavily involved in the bottom-up review conducted by Secretary Aspin.

NUMBER OF CARRIERS NEEDED

As I understand it, the "Bottom-Up Review" called ultimately for 12 carriers. We have 13 active carriers today; an additional 2 under construction, and 1 scheduled for decommissioning. That brings us to 14 carriers.

You have asked this committee to appropriate money in fiscal year 1995 for another carrier. That would make 15 carriers. Is there some disconnection between what we are being asked to do, and what the bottom-up review did? How many carriers do we need?

Secretary PERRY. I think the best way of answering that question, Senator Leahy, is to look over a fairly long period of time. We are projecting 12 carriers in the bottom-up review. A carrier's lifetime might be, in round figures, about 36 years. Therefore, if we are going to have 12 carriers, over the long term, we would need to build about 3 a year—pardon me, that would be an interesting build.

Senator LEAHY. You would have a little problem in this committee on that.

Secretary PERRY. About one every 3 years, in order to sustain the industrial base at a sufficient rate to sustain that force. So, we look at a program then, over a period of 10 or 15 years, where we maintain a rather relatively constant rate of building carriers. There is nothing in our present force structure that says it would have to be done any particular year. It could be deferred a year, or moved up a year.

Senator LEAHY. How many carriers does the Navy need for two major regional conflicts?

Secretary PERRY. They have a very interesting and complex curve, which shows that 10 is the minimum, and that with a certain level of risk, and the risk decreases as they go to 11 or 12 or 13. But based simply on their argument for fighting two major regional contingencies, the minimum you could fight with would be 10.

They also have another curve, which projects their need, which estimates their need for projecting power in peacetime, and that number turns out to be 12. And that turned out to be the dominant factor.

Senator LEAHY. In two MRC's, you need 10; but during peacetime you need 12?

Secretary PERRY. This was the one area in the bottom-up review where the peacetime power projection needs dominated force structure. All of the other cases, the two MRC's dominated the force structure.

Senator LEAHY. The concern I have—and I share some of the same concerns Senator Specter raised on the cost of nuclear versus conventional—is that there are a lot of other costs that go with it. Once a carrier takes to the sea, you have a carrier task force; you have an air wing or wings; and finally support ships that are everything from submarines to tenders. It can get to be a fairly expensive operation.

BUYING MORE B-2 BOMBERS

I am sure there is going to be a lot more debate on building another carrier. I would like to ask you about another issue on which we have had a lot of debate, and that is the B-2 bombers. I know you told Chairman Dellums that the Department of Defense is not pursuing any plans for the procurement of additional B-2's. But the worst kept secret in Washington, and one that anybody could pick up easily, is that the Air Force would like to purchase additional B-2 bombers.

The Air Force has proposed to cut our bomber force from 200 planes this year to 107 by fiscal year 1995. Is this a case where

we are just saving money now so that they can come back and ask for more B-2's later on?

Secretary PERRY. My own opinion in discussing this with leaders of the Air Force is they will not support procurement of additional B-2's coming out of their current level of budget. They would gladly support being given additional budget authority to go buy more B-2's, but that is not an option that has been given them, and at the present budget levels they have, they do not support more B-2's.

Senator LEAHY. Northrup and other B-2 supporters have proposed adding \$150 million to keep the B-2 production line open. Is that going to be in the budget?

Secretary PERRY. That will not be in the budget.

Senator LEAHY. Is 107 bombers enough for two conflicts?

Secretary PERRY. The 102 bombers we have—

Senator LEAHY. 107.

Secretary PERRY. 107 bombers we have right now are not, because they do not have the right kind of munitions on them. For these bombers to be used effectively in conventional conflicts, they need to have precision-guided munitions, and that is a program that is under development for the B-1 and the B-52 and the B-2, but it is not now in the force, but after we get those advanced conventional munitions, then I think the answer to that question is "Yes."

Senator LEAHY. Then the expenses in procurement will be in the weaponry, not in the platforms?

Secretary PERRY. That is correct.

LAND MINES

Senator LEAHY. Mr. Secretary, last year I sponsored an amendment in the Senate to extend for 3 years the moratorium on the export of antipersonnel land mines from the United States.

We had a rollcall vote on it. Every member of the Senate, both parties across the political spectrum voted for it, and then at the United Nations there was a U.S. resolution which called for an international export moratorium. I know that one very well, because I went up and was an active delegate and actually tabled the resolution on behalf of the United States. That was adopted unanimously.

I am worried about land mines. There are anywhere from 80 to 100 million land mines in over 60 countries; 80 percent of the victims are civilians. They are also threatening our own forces we send to these countries. There are parts of the Netherlands that are off limits to people from World War II, from the land mines.

I am chairman of the subcommittee here in Appropriations that handles our foreign aid. I look at some of the countries we want to send foreign aid to, and it is almost irrelevant, because the people cannot even go out to plow their fields, raise their food—7 or 8 million land mines, for example, in Cambodia. Millions, literally millions of land mines in Afghanistan, down in Central America. There have been over 80 people killed, experts killed trying to demine Kuwait. About 1,000 people have been either maimed or killed in Kuwait after the war just from land mines.

Now, I know the Pentagon wants to keep stockpiling and using land mines. I also know a complete ban is not going to happen soon, but at some point we have to face the question, are these weapons just becoming basically an indiscriminate terror weapon against civilians, and if so, does the United States as the most powerful nation on Earth have a responsibility to stop using them just as we have other weapons, and helped countries stop using other weapons?

This is not so much a question, but about the only opposition to the United States going forward and pushing for a worldwide moratorium on the export of land mines has come from the Department of Defense.

The President has said he is in favor of it. The Secretary of State has said he is in favor of it. The Congress has voted in favor of it. We put a resolution in to the United Nations and they said, we are in favor of it.

But the Department of Defense has not been, primarily because of the so-called self-destructing land mines. We scatter a couple of thousand of those, and if 90 percent of them work, you are still risking the lives of innocent people with a couple of hundred.

I would hope that you and whoever you would like in your office might work with me, because this is an issue that will keep coming back in one legislative vehicle or another, but it is also an issue that the United States can and should show moral leadership on. We are the ones with the power to set an example.

I would close only with this. Suppose we do get a final settlement, peace settlement in former Yugoslavia, just think, when the United States as part of NATO is asked to go in and start clearing the mines that are there, our fliers come out of Avian or elsewhere today are at risk, but when you start sending in some of our people, whether engineers or anybody else, in many ways they are going to be at greater risk when they go to help clear those mines.

Secretary PERRY. I am very sympathetic with the point you are making, Senator Leahy. I know there is considerable controversy and opposition within the Pentagon on that. I promise you to take a hard look at that again.

Senator LEAHY. Thank you. I wish you would.

I have talked to the President at length about this, and the Secretary of State, and it is not as easy an issue as my questions may have seemed to pose it, nor am I naive enough to think this is something you can just turn the switch on and off, but I think that those who serve in our military, and those who serve trying to help other countries, are going to be at greater risk as years go on unless we find some way of bringing this down, and our allies are, and our ability to help out in many parts of the world to bring people back to being self-supporting are going to be crippled by it.

Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Senator Cochran.

Senator COCHRAN. Thank you, Mr. Chairman. Mr. Secretary, welcome to the committee. I apologize for the fact that many of us had to get up and go to other meetings during your testimony and come back to ask questions. It is a fairly disorganized way of doing business. I am sure in your experience you have learned to deal

with that, and we appreciate your patience very much in responding to the questions that we have.

FORCE PROJECTION AND PRESENCE OVERSEAS

In connection with some comments that I have heard during the time I have been at the hearing today, I would like to point out that I am one of those who supports the notion that we need to maintain a capability of projecting force worldwide to deal with the protection of our security interests and other interests, and the fact that you have requested funding for the CVN-76 is an initiative that this Senator supports.

I also support the notion that, because we are drawing down the number of bases overseas and a fixed presence in many parts of the world due to budget constraints, we are going to need to have that kind of mobility and capability represented by CVN-76 to project power. The amphibious ready groups also are going to provide us with unique and important assets for forward presence and crisis response as well. Do you see our future requiring more of an investment in that kind of presence overseas, rather than the expectation that we can rebuild a fixed presence around the world as we have had in the past?

Secretary PERRY. Yes; without hesitation, I would say.

Senator COCHRAN. Would this not be one of the answers to Senator Specter's question about why we need the mobility and capability of maintaining cruising time in our carrier fleet that the CVN-76 would bring us, rather than the conventionally powered aircraft carriers?

Secretary PERRY. That is the principal argument people use for nuclear as opposed to diesel carriers.

REFOCUSED BALLISTIC MISSILE DEFENSE PROGRAM

Senator COCHRAN. In your testimony that you have prepared and furnished to the committee you mentioned that one of the challenges in this year's budget is to refocus the ballistic missile defense program. I do not see in this statement any definition of what that refocus is. Could you tell us what that entails?

Secretary PERRY. Yes; I can. It involves a substantial decrease in the funds that we were spending on space-based defensive systems and on defensive systems to defend the continental United States against an ICBM attack. Both of those programs are technology programs only in this budget and, therefore, relatively lower funding.

It involves an increase in funds on the theater ballistic missile defense program, projects it from an R&D program to a program that is geared to go to development, production, and deployment of a system by the end of the decade.

Senator COCHRAN. I hope that one of the alternatives for theater missile defense being considered is to include sea-based components.

Secretary PERRY. Yes; it is. We have an Aegis-based system that is in that program.

Senator COCHRAN. I also hope that our work that we are doing in coordination with Israel's Arrow program may have some benefit

for United States programs in the future. Do you see any useful transfer of that kind of technology to our own U.S. capability?

Secretary PERRY. I think there has already been some useful transfer, and there will be more in the future. I have explored, and Dr. Deutch has explored very carefully with the Israeli Ministry of Defense, the possibility of having a shared program to get the maximum kind of benefit back and forth.

They have concluded that that is not an efficient way of doing it primarily because the Israeli Government is going for a fixed base defense system, and they can get substantial economies and lower costs by doing it that way, whereas we are talking about a theater missile defense system and we have to have it mobile so we can deploy it in the theaters, and for that reason we did not find any commonality between the two different systems we are developing. There has been good technology-sharing, though, between the two programs.

IMPACT AID AND OTHER NONDEFENSE SPENDING

Senator COCHRAN. One area of concern that I share with others, which I know has been brought up already by other Senators at this hearing, is the use of the defense budget to fund programs that are really under the purview and maybe the responsibility of other departments of the Government.

I have heard, for example, that there is a proposed amendment in the House on the education bill that provides for impact aid funds from the Department of Defense budget instead of from the Department of Education peacekeeping funds, which traditionally may have been considered Department of State budget responsibilities, are now being included in the budget request for the Department of Defense.

Do you think you have included some items in the budget for defense that really ought to have been included in other departments' budgets, such as the \$300 million for the U.N. peacekeeping forces, for example?

Secretary PERRY. On the education aspect, the impact aid, I oppose the inclusion of that impact aid money in the defense budget and the administration opposes it as well. On the peacekeeping, I believe it is reasonable to have the peacekeeping costs associated with peace enforcement—that is, military operations part of the defense budget—but the other costs that are associated with peacekeeping, humanitarian aid, ought not to be part of our budget.

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

DEPLOYABLE CARRIERS NEEDED

Senator INOUE. Thank you, Mr. Chairman. Thank you, Mr. Secretary. I just have a few more questions, if I may. If my recollection is correct, during the height of the gulf war we had 12 deployable carriers and one in reserve for training purposes only. Of the 12, 6 were in combat station, 2 were in transit, 2 were being overhauled, and there were 2 more being prepared for deployment. Is my recollection correct?

Secretary PERRY. I cannot verify that. It sounds reasonable to me, but I can certainly check it out for the record. I have no reason to dispute those figures.

Senator INOUE. If these statistics are correct, that would be the basis for some of the concerns being expressed by members of this committee. If it took 12 deployable carriers and 1 reserve for training to carry on one war, you have in the fiscal year 1995 11 deployable carriers and 1 in reserve, and you hope to carry on one war and possibly deter another. That is the concern we have.

Secretary PERRY. Yes; of course. The reason we argued that the requirement, the peacekeeping requirement is more extensive than the war requirement is because the war requirement assumes you go flat out. All of your resources are dedicated to those two operations, and you can only do that for a relatively few months, where in the peacekeeping operations you have to maintain a regular maintenance schedule.

You have a regular rebuilding schedule. You have to maintain personnel and operational tempo which is suitable, and then out of all that is that it actually takes more carriers to maintain peacetime projection over a long, sustained period of time than what it would take to surge all of your abilities, project all of them forward for these two wars.

I remind you, Senator Inouye, that in both of these war scenarios we went through we are talking about wars that lasted only a few months. You could not sustain that over any period of time.

HELICOPTER PRODUCTION

Senator INOUE. I would like to ask a question on helicopters. Your fiscal year 1995 budget request calls for the termination of the HH-60, the SH-60, and the CH-53, and all three are manufactured by Sikorsky.

The Sikorsky-Boeing team will deliver the Comanche, and the Comanche will begin production, if everything is on schedule, the year 2000.

I think if that is the case it would be logical to assume that the reconstitution cost is going to be horrendous because you will have about 4 or 5 years of nonproduction. You will have to reconstitute that.

What would be the effect on the unit cost of the Comanche?

Secretary PERRY. We have not calculated that because I would not propose to do it that way, Senator Inouye. I think we have to maintain the industrial base for producing those helicopters between now and the time we get to the production of the Comanche.

There are several ways we can do that. One of them is through the Defense Department buying additional helicopters. We have in our budget, I do not remember the number, but a substantial number of UH-60's—60 UH-60's. But nevertheless your point—and the UH-60 will provide that industrial base. But your point is still correct because there is some gap between the end of the UH-60 production and the beginning of the Comanche.

In the best case that gap will be met by foreign military sales. If it is not met by foreign military sales then we have to look at a way of buying more UH-60's than we are now projected to buy.

Senator INOUE. Then your plans would call for maintaining the Sikorsky helicopter base?

Secretary PERRY. I believe that would be the most economical. Again, it is not a matter of helping a contractor. It is a matter of finding the most economical way of making the bridge from the UH-60 to the Comanche.

Senator INOUE. Otherwise we can anticipate high unit costs?

Dr. HAMRE. Senator, if I might put in context the request this year, we will be buying almost more Sikorsky helicopters than every other combat aircraft combined in our budget request. We are buying 127 aircraft in this budget, or proposing to, and 60 of them are UH-60's. So, it is certainly the healthiest and most robust production run in this budget request in combat aircraft.

Now, the termination that you have referenced relates to the Army's long-term plan, and the Army has proposed to us to termination production of UH-60's I believe in fiscal year 1998. It is not a decision we are facing this year.

We have an ongoing and very robust production base in fiscal years 1995, 1996, and 1997, and we will be looking at this issue next year, or this year when we are putting our long-term plan together, sir.

PACE OF PERSONNEL DRAWDOWN

Senator INOUE. Mr. Secretary, I have many questions here I would like to submit to you for your response, but just one question now, my final.

In reviewing your Department's downsizing plan, we have found that by 1995 the Active forces will have reached 90 percent of their 1999 goal, but the Reserve forces only 70 percent. Will this mean that the Department will have to accelerate Reserve force cuts in the next few years to meet the 1999 goal?

If that is the case, this faster pace very likely may have a serious impact on force structure, especially when Reserve forces are taking responsibility for missions that were once handled by the Active forces.

Secretary PERRY. We just completed a very detailed projection of Reserve force reduction.

Do you have that in your hands, John?

Dr. HAMRE. Sir, we have been on a very steep reduction plan for the active duty component for the last 4 years, so by the time we complete fiscal year 1995 we will have largely made the cuts in the active duty component, and have now just initiated the cuts in the Reserve components.

So, in looking at the data that Dr. Perry presented earlier, our 1995 goal to the bottom-up review to the active duty military would be to reduce another 66,000 after we complete the fiscal year 1995 request, and 73,000 for the Reserve components.

But as I mentioned, we are just now beginning that at the same path or same plane. So, we believe the program is executable. It is done with—we have transition benefits in place for the first time for Reserve component personnel. Approximately \$180 million in this budget is for transition benefits for reservists who are going to be departing this year.

Senator INOUE. That cut is from a smaller base as far as the Reserves are concerned.

Dr. HAMRE. Yes, sir; it is.

Senator INOUE. My question is, If we accelerate the downsizing of the Reserve forces at the accelerated rate, what impact would it have upon the force structure in the sense that we were depending upon the Reserve forces to take on certain missions that active forces have up until now assumed, especially support activities?

Secretary PERRY. Let me see if I can get you a comprehensive and thoughtful answer to that question for the record, Senator. It is a very good question.

Senator INOUE. I would appreciate that, sir.

Secretary PERRY. We have gone through this very carefully in just the last month or two, so the answer is available. It is just not in my head as I sit here.

[The information follows:]

During the Bottom-Up Review (BUR), we determined, in a macro sense, what each Service required to execute our strategy of being able to win two near-simultaneous major regional conflicts (MRC's). The BUR developed policy guidance on the future size and missions of the Reserve components to meet the challenges of a post-Cold War world. Increased reliance on the Guard and Reserve was a key part of this guidance, using the concept of "compensating leverage"—making smarter use of the Guard and Reserve to reduce risks and control costs. Compensating Leverage does not mean maintaining larger Guard and Reserve forces, but rather adapting them to the new strategy by assigning them missions which properly employ their strengths, and providing them with adequate resources to achieve required readiness levels.

The Department's force structure plans for the future have been carefully developed to support the national military strategy of winning two nearly simultaneous major regional conflicts. They will also ensure that there is sufficient strategic reserve to defend against a failure of Soviet democratization, and provide domestic support here at home, in the event of natural or man-made disasters. The challenge is to reconfigure the Guard and Reserve to be responsive to the new world dangers, and still provide peacetime utility for peacekeeping and humanitarian assistance activities, both abroad and at home.

The speed of the downsizing is of particular interest, because if it occurs too slowly, valuable resources which could contribute to improved readiness are expended on force structure that is no longer required in the post-Cold War world. If the downsizing is at too rapid a pace, then the turbulence and impact on the people involved is more severe. The Department is committed to funding transition benefits as I have stated before. We are also working to spread these reductions out over time, to give the affected personnel an opportunity to associate with another similar unit. We have developed policies to promote the flexibility for a displaced member of one component to find a new position within another.

Readiness remains the number one priority of this Department. I am committed to managing the downsizing effort so that the short-term pain is minimized. In the long run, the readiness and capabilities of Reserve forces will be enhanced, first by streamlining their force structure in line with their new mission requirements, and second by targeting scarce resources to readiness enhancements. With this approach, we can ensure that the Guard and Reserve will continue to be full partners of the Total Force into the 21st century.

Senator INOUE. I am sure you realize that 50 States have National Guards.

Secretary PERRY. Yes; that has been made very clear to me.

Senator INOUE. They all have Senators, so I would appreciate something that I can share with my colleagues and with Governors and others.

Secretary PERRY. I would be happy to follow up on that.

Senator INOUE. Dr. Perry, on behalf the committee, once again congratulations on your appointment, and we thank you for providing this service to our country at a time of need.

We thank you for your appearance this afternoon. Your answers, as some have characterized, have been forthright and candid. As one member said, this is the first time he has heard a one word response from any Secretary up until now.

The matters facing this subcommittee are very serious, obviously, so we look to you for your leadership in this area. I can assure you that we stand ready to work with you in coming forth with a defense plan that will meet our national interests.

So, once again, we thank you very much, sir.

ADDITIONAL COMMITTEE QUESTIONS

Secretary PERRY. Thank you, Mr. Chairman.

Senator INOUE. We look forward to arranging these hearings on proliferation, if we may.

Secretary PERRY. I will look forward to it myself.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

DEFENSE INDUSTRIAL BASE

QUESTION: Mr. Secretary, the Defense Department plans to build the SSN-23 to preserve the nuclear submarine industrial base. There are many other defense industries teetering on the brink of extinction because of cutbacks. What criteria do you have to determine which specific portions of the industrial base must be preserved?

ANSWER: First, the Department recognizes that the industrial base is a crucial element of U.S. military power. The Department also believes, however, that it must aggressively reduce its reliance on a defense-dependent industrial base. Therefore, our primary strategy is to remove the barriers to integration of the defense and commercial industrial bases by emphasizing acquisition reform and supporting defense reinvestment and diversification programs. Specifically, the Department is encouraging and using dual use technologies in military equipment, eliminating defense-unique specifications and standards, and demonstrating a clear preference for commercial items and commercial buying practices. In the long term, this integration is absolutely essential if the Department is to acquire and support essential defense systems despite significant budget reductions.

However, the Department also recognizes that some products critical to defense (for example, nuclear submarines) are being produced by companies which provide products used only by the military. These companies may possess unique capabilities (skills, facilities, processes, or technologies) essential to current and future defense needs; which could be endangered during the defense downsizing; and which, once gone, would require major investment and/or significant time to recreate.

We continually assess relevant sectors of the industrial base to identify their essential elements and to ascertain their present and future viability. In cases where anticipated commercial capabilities are not adequate, steps may be required to sustain essential defense-unique research, design, production, and support capabilities. We anticipate these cases will be the exception, not the rule. There is no practical way to prevent the size and diversity of the defense-dependent industrial base from eventually reflecting the reduced level of demand for its products.

Modernization/Re-equipping the Force

Question: Mr. Secretary, under the fiscal year 1995 budget, the Army will not buy any tanks, the Navy will buy only seven ships, and

the Air Force will buy no new fighters. At this pace, it will take 50 years to recapitalize the Navy fleet. Are we living for the present and leaving to our successors the difficult challenge of re-equipping our forces?

Answer: No, we understand our future modernization requirements. Our procurement budget is very low today (about one-third of what it was during the peak spending in the mid-1980's). We have that luxury due to excess inventory as we continue to draw down our force structure, but we know that we must develop and procure the force enhancements envisioned in the Bottom-up Review to ensure our technological superiority. The five year plan we have submitted to you carries our procurement reduction down for another two years; then it starts a substantial increase to accommodate the fact that we will have to start building the next generation systems after that.

Sustainment Beyond 1999

Question: Mr. Secretary, while the Bottom Up Review looked at maintaining our forces through 1999, can you tell us how much consideration was given to sustaining our forces in the years beyond 1999?

Answer: The Bottom-up Review focused out to 1999; however, I think most of our sustainment considerations were applicable to further outyears. We paid a lot of attention to the supporting infrastructures of technology and our industrial base. Our investment requirements reflect the different nature and sophistication of remaining regional aggressors, as well as the long-term need for technological superiority.

Most US weapons on hand are technologically superior to those of potential enemies, and many of those US weapons have years of useful life left. We can take some time to develop and prove new technologies, and accept carefully measured gaps in industrial base output, where it is wise to do so. The immediate urgency of production of advanced systems is reduced, but vigorous R&D remains a strategic imperative to ensure our edge both in actual technology for the current force, and in potential technology for future forces.

I believe our plan is sound, both for now and the outyears, as far as we can reasonably assess.

Readiness and Recapitalization

Question: Will the Defense Department be able to maintain readiness and recapitalize the force simultaneously?

Answer: Yes. The fact of the matter is that we must do both. The Bottom-up Review force structure is adequate to do the job if and only if we protect our readiness and improve our capabilities. We are funded properly in FY 95; we must meet the challenge to properly train and equip our forces as we look to the outyears.

AIR FORCE AND NAVY AIRCRAFT AFFORDABILITY

QUESTION: Mr. Secretary, in the out years, the Air Force intends to spend almost \$5 billion a year to buy F-22 advanced tactical fighters. It also will need large sums for airlift aircraft like the C-17 and for other needs to keep the Air Force modernized. The Navy

faces high production costs for the F-18E/F fighter, while it seeks to buy the V-22 tilt rotor aircraft and other items.

-- Will the lower budgets in the future protect readiness and still have sufficient funds to purchase all of these aircraft programs?

-- Will the F-22 and V-22 procurement programs crowd programs such as the C-17 and F-18E/F?

-- If all of these programs are procured as scheduled, the annual expenditure to buy them is going to be nearly \$12 billion. Will we be able to afford this?

ANSWER: DoD's first priority is to maintain a high level of readiness for our forces, and the Department's Fiscal Year 1995 budget reflects that priority. For the longer term, the Department has instituted a number of mechanisms to ensure that readiness is protected, including the Senior Readiness Oversight Council, the Readiness Working Group, and the new positions of Under Secretary of Defense for Personnel and Readiness and Deputy Under Secretary of Defense for Readiness. Even with the continuation of readiness as the highest priority, DoD's budget plans anticipate that additional funds will be made available for procurement in future years. For example, we expect to reduce infrastructure costs significantly over the Future Years Defense Program (FYDP) period and beyond, as we reap the full benefits of the Base Closure and Realignment (BRAC) and other initiatives. Those actions will help free funds for future procurement. In addition, a number of major acquisition programs, particularly new aircraft systems, are currently in development and therefore funded in the RDT&E accounts. For example, the F-22 fighter, the F/A-18E/F strike-fighter, and the Medium Lift Alternative/V-22 are in development and not scheduled for procurement until future years. As future decisions are made to transition such programs into the production phase, procurement spending will increase as RDT&E funding decreases.

We do not currently expect the F-22 and V-22 programs to crowd out other programs such as the C-17 and F/A-18E/F. These programs are all funded within the Future Years Defense Program. Funding beyond Fiscal Year 1999 will be addressed this year during the Department's development of the Defense Program for Fiscal Years 1996-2001. A number of future decisions will affect the long-term affordability of these programs. For example, the total spending for aircraft procurement would vary significantly depending upon the future decision on the eventual peak production rate

for the F-22 (currently planned for 48 per year beyond the FYDP). We also plan future decisions on Medium Lift Alternative/V-22 procurement and Strategic Airlift procurement beyond 40 C-17s.

The annual funding requirement for, and therefore affordability of, the four aircraft programs will depend heavily on these future decisions. As the Department addresses those issues during the preparation of the Defense Program for Fiscal Years 1996-2001 and in other reviews, long-term affordability will be a major consideration. In addition, all Defense Acquisition Board milestone reviews include an assessment of affordability, both in the FYDP and beyond. At this point, our assessment is that the four programs will be affordable over the long term, though perhaps at lower maximum rates of procurement. However, our ability to make resources available for the investment programs that will be needed in the future will be heavily dependent on the Department's success in achieving substantial savings from infrastructure reductions and other management reforms.

PEACEKEEPING

Question: Secretary Perry, in its FY 1995 budget request, the Department proposes to establish a fund of \$300 million to pay for international peacekeeping activities. How does this peacekeeping fund differ from the one requested by the Department last year and disapproved by Congress?

Answer: The fund requested last year was part of the Global Cooperative Initiatives (GCI) which encompassed activities related to humanitarian assistance, disaster relief, peacekeeping, and programs for the promotion of democracy. Funding for the operational costs of these programs were consolidated within this proposed appropriation for various reasons including the need for flexibility to address often unanticipated, urgent humanitarian, disaster relief and peacekeeping requirements. Peacekeeping was just one facet of the proposal. The peacekeeping portion of GCI would have been used to fund DoD incremental costs (personnel, transportation, materials and supplies, and operating costs) for participation in a variety of anticipated unilateral and multilateral peacekeeping operations undertaken under the United Nations, other regional organizations, or unilaterally.

The FY 1995 request is entirely different in that the funds, if authorized and appropriated, would support payment of assessments for peacekeeping and peace enforcement operations owed to the United Nations by the United States Government for those operations for which DoD will have primary control and oversight responsibility under the new shared responsibility concept. It is not to be used as a contingency fund to pay DoD incremental costs for participation in peacekeeping, nor would it fund any other non-peacekeeping activities, such as the FY 1994 GCI proposal would have done.

Question: Why should Congress provide funds in anticipation of peacekeeping activities; doesn't this limit Congressional oversight and undermine Congressional prerequisites to approve use of US forces in conflict?

Answer: The funds requested by the Department of Defense complement those requested by State Department for its

contributions for International Peacekeeping activities (CIPA) account. They are to be used to pay UN peacekeeping assessments not to pay for US incremental costs associated with the use of US military forces in peace operations. Congress has been appropriating funds for anticipated UN peacekeeping assessments for the last four decades. To cease doing so at this juncture would be unfortunate in three respects. First, it would send a strong signal to the international community that the United States is not committed to the UN's role in peacekeeping operations. Second, it would renege on our treaty obligation with the United Nations. And, third, it would be impractical to come to the Congress and request funds for each specific operation. This latter issue would prevent the United States from responding in a timely manner to UN requests and would undercut Presidential prerogatives in the conduct of foreign policy.

In an effort to ensure appropriate Congressional oversight, the Administration is providing monthly briefings to Congressional staff on UN peace operations.

Question: Why should DoD fund these activities, isn't this the purview of the State Department?

Answer: Under a new Administration proposal, commonly referred to as "shared responsibility," both the Departments of Defense and State would have a role and a responsibility for managing and funding specific peace operations. The State Department would retain primary oversight, management and funding responsibility for the UN assessments associated with traditional peacekeeping operations undertaken pursuant to Chapter VI of the United Nations Charter in which US combat units are not participating. DoD would assume oversight, management and UN assessment funding responsibility for all Chapter VII operations (peace enforcement) as well as those Chapter VI operations that involve the use of US combat units. In essence, the DoD account or fund would complement the State Department account for paying UN peacekeeping assessments. While DoD funds have never been used to pay UN assessments before, we believe that when the US has combat units involved in a UN mission, or when the operation is likely to involve combat, that the Department of Defense is better able to manage the interagency process and should assume responsibility for funding the UN assessments associated with these operations.

Question: Isn't this just another new non-traditional DoD funding responsibility that will ultimately take resources away from traditional DoD programs?

Answer: No. Peace operations conducted under the auspices of the United Nations are one tool among many that may be used on a case-by-case basis, to protect or advance US policies and interests, two principal functions of the Department of Defense. Moreover, our long-term defense planning has involved anticipated expenditures to support peace operations as integral part of our overall defense effort.

CIVILIAN PERSONNEL

QUESTION: Secretary Perry, the Department's budget proposes reductions to civilian personnel levels at rates much greater than normal attrition. As a result, how many employees do you expect will receive separation incentive bonuses or early retirement packages or, simply, be laid-off?

ANSWER: Civilian personnel reductions with the Department begin with normal attrition. This would account for employees who leave the Department voluntarily to seek other employment, stay at home with children,

or pursue other interests. We estimate that 1.5 to 2 percent of our workforce is lost to normal attrition, which equates to approximately 13,500 to 18,000 per year.

The Department aggressively uses separation incentives to avoid involuntarily separating employees. These incentives--when used for resignation, early retirement, and optional retirement--are expected to aid in reducing our overall employment totals by 14,000 to 20,000 per year.

Finally, because of a number of force structure and fiscal factors, we will need to use reduction in force rules to separate involuntarily approximately 4,500 to 9,000 employees per year.

QUESTION: How much has the Department budgeted for the separation incentive programs? Will this be sufficient to cover all separation costs?

ANSWER: Between now and September 30, 1999, the voluntary separation incentive program is expected to cost between \$350 million and \$500 million. This figure is based on DoD's current legislative authority for incentives. Since the cost of incentives is less, in the long run, than involuntary separations, there is not a funding issue within the Department.

QUESTION: Are separation incentive packages offered to every civilian employee of the Department, or are the incentive packages targeted to certain groups?

ANSWER: In all cases, our incentive offers are targeted by occupation, grade, or activity to avoid specific reductions in force or to create vacancies into which we can place employees who would otherwise be separated.

The experience of the Postal Service and other private sector employers indicates that blanket buyout offers often result in the loss of mission-critical employees or of employees with skills that are difficult to replace. Therefore, we have and will continue to target incentives.

QUESTION: Would you provide the Committee with estimates of the numbers of personnel anticipated for RIF at repair and maintenance facilities?

ANSWER: The current RIF separation rate at repair and maintenance facilities is estimated to be 2,000 to 4,000 per year.

THE \$20 BILLION SHORTFALL

Mr. Secretary, the DoD Comptroller recently cited a cumulative fiscal year 1996-1999 shortfall of \$20 billion between the DoD Future Years Defense Program and the President's budget proposal. The baseline for this comparison was the Bottom-Up Review (BUR). The difference was attributed to a higher than projected inflation rate.

Question. How do you propose to resolve this difference?

Answer. Options to deal with this matter will be considered later this year during development of the FY 1996-2001 FYDP. At that time updated inflation projections will be available, and so the shortfall could be greater or smaller than now. Obviously the two

types of options for resolving any shortfall are to raise the defense topline or reduce defense programs. But let me again emphasize that the President and the Department of Defense remain firm in their commitment to the Bottom-Up Review and the need to properly finance it.

Question. How and when do you plan to re-validate or adjust the BUR, in view of the very fluid world situation, our changing security obligations, and lessons learned?

Answer. The BUR has been completed and will not be adjusted as such, although we are doing several follow-on studies, such as the Nuclear Posture Review. However, all defense plans--whether affected by the BUR or not--will be validated as we prepare the FY 1996-2001 FYDP this year.

Question. How heavily does the FYDP rely on efficiency improvements such as acquisition reform; and do you think that these changes can be implemented in time to realize significant savings before FY 1999?

Answer. The FYDP does not rely on efficiency savings that have yet to be thoroughly documented. That includes acquisition reform, since how far our reforms can go will depend on what changes Congress approves. Rapid Congressional approval is essential because, yes, we do believe that major changes can and must be implemented in time to reap substantial savings before FY 1999. Those savings are needed to help support increased procurement funding in the latter years of this decade.

Question. Can we expect further DoD budget cuts beyond those which have already been identified?

Answer. I do not expect to recommend further cuts in overall defense spending for the FY 1995-99 FYDP years. But we certainly would be ready to cut specific programs in which unexpected problems or savings developed.

DFAS REGIONAL CENTER IN HAWAII

Question: Secretary Perry, the Defense Finance and Accounting Service (DFAS) is consolidating many small offices around the country into several large regional centers. These centers will provide many jobs and will be highly coveted by all states. I am concerned that all states be afforded equal consideration to host these regional centers. Recognizing that advances in telecommunications technology have essentially equalized all states as possible locations for these centers, is it your intention that all 50 states will be considered equally in the process for choosing these regional centers?

Answer: As you indicated Mr. Chairman, telecommunications technology has basically altered many geographic restrictions which possibly would be considered when establishing the criteria for the DFAS future consolidated sites. The criteria included cost to the government, maintaining customer service, use of DoD excess assets made redundant by the end of the Cold War and a good labor supply. They were designed to ensure the process was fair and equitable and that candidates were not inhibited by geographic considerations.

Question: Would you tell us the timeframe in which the Department expects to determine the locations for the regional centers?

Answer: The Defense Finance and Accounting Service is currently evaluating potential site locations to present to the DoD Comptroller and the Secretary for a decision. Due to the large number of sites under consideration and the extensive analysis required, it has taken longer than originally expected. We do expect an announcement in the near term and will ensure timely notification to Congress.

Question: Would you comment on the criteria that will be the basis for the decision on where the regional centers will be located?

Answer: As previously mentioned the criteria included cost to the government, maintaining customer service, use of DoD excess assets made redundant by the end of the Cold War and a good labor supply.

ENVIRONMENTAL COMPLIANCE SPENDING IN DOD BUDGET

QUESTION: Mr. Secretary, recent changes to federal environmental laws make it possible for state and local governments to fine the federal government for violation of environmental regulations. Does the potential for fines and penalties increase the need for an OSD role in prioritizing environmental compliance spending across the DoD budget?

ANSWER: No. DoD policy already calls for full and sustained compliance. The Services currently program to correct deficiencies and ensure compliance. We expect improved self audits will detect and correct future deficiencies before they become violations and fines and penalties are assessed.

POTENTIAL FINES AND PENALTIES

QUESTION: How is DoD addressing the potential for an increase in the amount of fines and penalties assessed by state and local governments for environmental cleanup and compliance violations?

ANSWER: We plan to ensure compliance and avoid these fines and penalties. We're also emphasizing proper environmental stewardship in a number of ways. These include improved training, better communication with regulators, and changing the way we operate.

To minimize compliance problems, we've developed a self-auditing program to detect and correct problems before they become violations. We're sharing lessons learned and making sure we keep our commitment to environmental security. We now work with regulators and environmental groups to help formulate solutions to problems and avoid noncompliance.

WILL DOD PROGRAM COSTS RISE?

QUESTION: Do you expect DoD environmental program costs to rise as a result of the expanded regulatory authority of state and local governments?

ANSWER: Not significantly. There may be additional costs associated with reimbursing states for some administrative costs. It's difficult to estimate since many state programs are still under development.

Superfund and Clean Water Act Reauthorization

QUESTION: What steps are being taken by DoD to assure that the Pentagon's experiences and ideas are considered, especially with regard to expediting the cleanup process in the pending Superfund and Clean Water Act reauthorization?

ANSWER: The Department is involved at all levels in the development of the Administration's effort to reauthorize Superfund. For over a year, we have participated at the staff level on an interagency task force that not only proposed changes specifically affecting Federal facility cleanups, but also addressed the much broader issues related to the entire cleanup process. Shortly after we got involved at the staff level, the Administration created an Interagency Policy Committee chaired by EPA Policy's Director, Katie McGinty, to address the broader Superfund issues at the senior level. DoD's representative in this ongoing effort is the Deputy Under Secretary of Defense (Environmental Security), Ms. Sherri Goodman. The Administration's Superfund reform proposes to incorporate future land use and cost-effectiveness in the determination of remedies, national cleanup standards to insure consistency nationwide, generic remedies or "off-the-shelf" remedies for specific classes of remedies occurring frequently at installations, narrow application of the requirement for permanence and treatment, elimination of relevant and appropriate state and federal regulations, and several DoD specific provisions. The DoD specific provisions include the requirement for clean parcel determinations where hazardous wastes were only stored, and the ability to enter into contracts for the sale of closing base lands prior to the completion of the remedial action.

Since June 1993, the Department has been involved with EPA's interagency Task Force on the development of an Administration position for the CAW reauthorization. During his process, DoD and other Federal agencies brought issues and concerns to EPA regarding the reauthorization. Ms. Sherri Goodman met with the White House staff and heads of other Federal agencies to resolve differences and concerns. The President's Clean Water initiative was released February 1, 1994.

We are working closely with the EPA Task Force and the Office of Management and Budget to track and comment on current proposed legislation.

Base Closures

QUESTION: Secretary Perry, in the recent past, you have raised concerns about the increased costs associated with Department base closure proceedings. Moreover, the Committee notes a significant increase in funding is proposed for the Base Closure Account in 1995. Does the budget anticipate and reflect any savings from base closures? If not, why not?

ANSWER: The Department's Fiscal Year 1995 budget request for the two Base Closure Accounts reflects a net \$1.3 billion in savings to be realized as we implement the approved closures and realignments. After these actions are complete, the Department expects to realize annual savings of \$4.6 billion.

QUESTION: What are the factors driving up base closure costs?

ANSWER: Two of the major causes of increased base closure costs are environmental cleanup and the failure to realize revenues from anticipated land sales.

QUESTION: Can we expect even more increases in the future?

ANSWER: For announced realignment and closure actions, environmental costs should not rise as dramatically as they have in the past. We're completing the studies that identify the extent and type of contamination we need to clean up. As the limits of our responsibilities are established, the cost estimates should not increase, other than to reflect inflation and the cost to accelerate cleanup to return property to the local community. Also, the President's Five-Part Program to speed economic recovery at communities where military bases are scheduled to close could increase base closure costs as communities take advantage of the Program's provisions relating to the transfer of real and personal property.

QUESTION: What effects will increasing base closure costs have on future operations budgets?

ANSWER: To the extent that Base Closure Account funds are not available, other appropriations such as the Operations and Maintenance accounts would have to be used to continue implementation of the closure and realignment schedules.

QUESTION: Will this reality serve as a disincentive to close bases in the future?

ANSWER: Funding shortfalls in the Base Closure Accounts make it difficult to meet the statutorily mandated closure and realignment schedules, and force us to divert funds from appropriations that, in some cases, support readiness. We cannot, however, continue to keep open and maintain installations that the Department no longer needs.

RESIDUAL VALUE

QUESTION: Secretary Perry, as the Department draws down troop levels in Europe, facilities are being returned to host nations. What initiatives are planned to spur our European allies to make residual value payments for facilities returned to host nations?

ANSWER: The Commander in Chief, U.S. European Command, established a residual value negotiation strategy committee, which includes representatives of our European Embassies, to aggressively approach the issue of residual value compensation. My Deputy Secretary apprised the Chairmen of the Senate and House Armed Services Committees, the Senate and House Appropriations Subcommittees on Defense, and the Senate and House Appropriations Subcommittees on Military Construction, on June 2, 1994, of an approach to the Government of Germany. The negotiations are extremely sensitive and can not be discussed in an open forum until concluded.

I encourage support from members of Congress for residual value compensation should they be afforded the opportunity to meet with Parliamentarians from the host nations.

QUESTION: Secretary Perry, as the Department draws down troop levels in Europe, facilities are being returned to host nations. We understand that our allies are going through tough economic time and that coming up with the estimated \$1.7 billion in residual value is not something they can accomplish all at once. What do you believe would be a reasonable time period for these payments to be made?

ANSWER: Although the Department has announced the return or realignment of 895 overseas sites, many of these sites are in countries where the stationing agreements do not obligate the host government to compensate the U.S. for U.S. funded investments at the sites being vacated. Examples are the Philippines, Spain, Japan and the United Kingdom (except in very limited circumstances). Other countries, such as Turkey, Greece, and Portugal, are aid recipients and are not expected to provide monetary compensation. The largest numbers of facilities were constructed in Germany where the Status of Forces Agreement provides for compensation for U.S. funded improvements at vacated sites. The Government of Germany has agreed to

provide some \$197 million in payment-in-kind compensation in the form of needed military construction and major repair work to support U.S. forces that will remain in Germany after 1996. The Department is currently pressing for additional in-kind agreements in order to maximize compensation and provide essential support. When appropriate and possible, the Department continues to attempt to negotiate a monetary settlement for facilities returned to host nations. Given the magnitude of the facilities being returned and current economic climate, negotiations could stretch out over the next five to ten years or longer.

QUESTION: Would you also comment on why the Army has failed to account for any residual value cash payment offsets in its 1995 budget request?

ANSWER: The Army has failed to account for any residual value offsets in the fiscal year 1995 budget for two reasons: (1) Army's fiscal year 95 budget has already been reduced \$118 million in anticipation of unfulfilled Residual Value proceeds; and (2) the German government has already told the Army the only payment it will make to the United States Government in fiscal year 95 is \$23 million for Payment-In-Kind Military Construction projects against future residual value settlements.

Defense Industry Consolidations

QUESTION: Mr. Secretary, as our defense industries are downsizing, several corporations have chosen to sell portions of their companies to other defense firms. What steps are you taking to preclude monopolies in certain defense areas?

ANSWER: Consolidation of the defense industry in response to real and anticipated budget reductions has begun. As industry "rightsizes" there will be fewer competitors and less competition. To ensure the Department gets best value for its procurement dollar, we need to effectively structure sole source procurement proposals and contracts that ensure risks are understood and fairly distributed between industry and Government. DoD has extensive experience dealing with sole source situations. We use a comprehensive costs and pricing process to get fair and reasonable prices, even when competition is absent.

QUESTION: Dr. Perry, will the Defense Department reap the savings which will accrue from these consolidations, through lower overhead and other efficiencies, or is this to be passed on as corporate profits?

ANSWER: Generally, the savings resulting from consolidations will be passed on to the Defense Department through lower contract prices. However, a contractor would be entitled to keep savings on

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existing firm fixed price contracts, and the prices of new contracts awarded competitively may be determined more by market forces than by projected costs.

QUESTION: Dr. Perry, if a company acquires another entity which is currently a subcontractor to it, will the government pay the profit to the company on both the basic contract and on the subcontract?

ANSWER: The Government will honor the terms of existing contracts and existing subcontracts when there is a change in ownership, including terms on profits.

QUESTION: What is the impact of the purchase of GD-Fort Worth by Lockheed on the settlement of the A-12 case? When is this issue expected to be resolved?

ANSWER: Lockheed's purchase of GD-Fort Worth has no impact on the A-12 case because GD retained any liability associated with resolution of the A-12 litigation. That litigation is ongoing; it would be purely speculative to identify a date for its ultimate resolution.

C-17 Settlement

QUESTION: Can you tell the subcommittee what your views are on the settlement with McDonnell Douglas regarding the C-17 program?

How and when will this settlement be financed?

ANSWER: I participated in the development of the settlement and fully support it. The settlement will be financed from the following two sources: (1) \$79.7 million from funds reprogrammed from previously appropriated airlift funds which are no longer required (to be submitted to the congressional defense committees as part of a DoD omnibus reprogramming request in the next several months); and (2) \$268.3 million from requested FY 1995 appropriations for the C-17 program.

DEFENSE CONVERSION - HOW LONG AND HOW MUCH

Question: Secretary Perry, the defense industry has, since the mid-to-late 1980's, gone through a wave of consolidation and downsizing. Can you tell us when the process of conversion and downsizing the defense industrial base will be complete, when will we be able to stop spending defense resources on conversion?

Answer: Mergers and realignments in the defense industry are an inevitable result of downsizing. It is my understanding that leading defense industry analysts believe that the process of consolidation is only about half complete. We can expect the downsizing and conversion of defense industry to continue as long as Defense procurement spending continues to decline.

Defense Conversion

QUESTION: Dr. Perry, we repeatedly hear from many businesses, especially large defense firms, that the technology reinvestment program does not meet their needs. Do you plan to make adjustments in the TRP program to respond to their concerns?

ANSWER: The Technology Reinvestment Program (TRP) has been designed to satisfy two objectives. The first goal is to preserve the technological superiority that has characterized the U.S. defense strategy over many decades and has resulted in the creation and fielding of increasingly effective weaponry. The second objective is unique to TRP: to identify and develop those technologies that are both critical to defense and appealing to the commercial market. The underlying assumption of the second goal is that by paying particular attention to commercially viable "dual-use" technologies, DoD will gain continued access to them at affordable prices.

The needs of large defense firms were not the driving factors in the creation of the TRP. In actuality, it is apparent that small and medium sized firms were the focus of the Congress in some of the TRP statutes. It is also important to note that the TRP is not need based but opportunity based. Thus any changes made to the TRP will be instituted to enhance the value of these opportunities, in keeping with the expressed goals of the program.

QUESTION: Secretary Perry, given industry concern about the direction of the TRP, why is the Pentagon considering a reprogramming to increase this account at the expense of other DoD programs?

ANSWER: The response to the FY 1993 TRP solicitation was very favorable and the number of deserving proposals far exceeded the FY 1993 funding available. As a result, a portion of the FY 1994 funding has been allocated to fund many of these proposals. The Department has also identified target research areas that were inadequately addressed in the first solicitation and intends to conduct a focused competition using the FY 1994 funds. Finally, a second general solicitation is planned to continue and expand the TRP process. Since accomplishment of all these goals cannot be adequately accommodated within the \$474 million appropriated for the FY 1994 program, the Department plans to submit a reprogramming to increase the TRP by \$150 million, producing a \$624 million FY 1994 program. In recognition of the success of the TRP and the associated technological opportunities, the FY 1995 President's Budget includes \$625 million for the TRP.

Question: Secretary Perry, we understand that the Department may propose a new policy to allow the sale of excess high technology weaponry to our allies. Would you comment on the policy proposal being considered?

-- The defense industry has objected to similar sales of older inventory in the past. How will the contemplated plan to sell used high technology weaponry impact the defense industry?

-- Considering that friendships and alliances change over time, what assurances do we have that this policy will not lead to outcomes detrimental to U.S. interests?

Answer: The "new policy" you refer to is the possible Foreign Military Sale (FMS) of F-16A/B fighter aircraft scheduled to be retired from the inventory of the United States Air Force. The policy is not new, the United States Government has sold items from its inventory to our allies and friends on many occasions when such sales are in our national security and foreign policy interests. Such sales are made in accordance with the provisions, including those for Congressional notification where appropriate, of the Arms Export Control Act (AECA) and other relevant legislation. What is new in the current discussions is the number of high technology items which are retiring from inventory due to the drawdown in DoD force levels and the potential benefit which can result from required upgrades and overhauls of these items by the U.S. defense industry.

The other aspect of the program that has received considerable press attention is the potential for proceeds of these sales to be used by the DoD to purchase new equipment. Current law allows DoD to use the proceeds from sales of items from stock to purchase replacement items. Reports of the "new policy" refer to the possibility of using receipts from the sale of F-16A/B aircraft to buy more modern F-16C/D aircraft. While new legislation would not be required to authorize use of these receipts for replacements with like items, any such use would be notified to Congress as a reprogramming action. Should any use of receipts other than replacements be considered, we would ask Congress to pass the necessary legislation. Carefully considered sales from inventory which meet the required national security tests, however, would assist the DoD to enter the next century with a more modern force structure at lower cost to the U.S. taxpayer.

The contemplated plan to sell used high technology weaponry will not adversely impact on the U.S. defense industrial base. Sales would be made to countries which would not be able to afford new equipment and acquisition of equipment would be conditioned on the purchase of refurbishment/upgrade goods and services from U.S. industry. Proceeds from these sales would then be used by the U.S. to purchase more modern equipment from industry (purchases that would not otherwise occur) thereby helping to preserve the defense industrial base.

Discussions about foreign sales of these retiring items does not imply any lessening of the U.S. Government's concern about arms proliferation or other outcomes detrimental to U.S. interests. As with all FMS transfers, such sales will be subject to extensive interagency review by DoD, State and Commerce to consider a range of factors from foreign policy and weapons proliferation concerns to U.S. defense industrial base impact.

Depot Maintenance

QUESTION: Secretary Perry, the military draw down has resulted in considerable excess capacity in our public/private depot maintenance industrial base. Some argue that full and open competition between public and private depots is the best method to eliminate excess capability and preserve an effective core maintenance capability. Others argue that we should privatize our military facilities. Which method do you endorse for "rightsizing" our depot maintenance industrial base?

ANSWER: The government in principle needs only to maintain enough organic depot capacity to support likely wartime needs. The National Defense Authorization Act for Fiscal Year 1994, directed DoD to establish a Government-Industry Task Force to assess the overall performance and management of DoD depot-level activities. The Task Force, operating under the auspices of the Defense Science Board, is making good progress, and will report its findings by April 1, 1994. One of the anticipated outcomes of the Government-Industry Task Force is that the Department's competition policy will be refined. Due to the downsizing of DoD activities, excess capacity exists in both the public and private sectors. Reducing DoD's unneeded infrastructure through base closures and realignment is a top Defense priority. Hence, our efforts to preserve readiness while eliminating unnecessary infrastructure is fundamental during the BRAC 95 process. Our decisions should, in a balanced way, consider the proper mix of industry and government maintenance responsibilities that will be best for the nation, in terms of readiness, responsiveness, and costs.

QUESTION: This Committee has supported the DoD depot maintenance public/private competition program. Will you comment on the successes and or failures of this program.

ANSWER: The Department has, for the past several years, conducted a competition program where the DoD maintenance depots compete against one another, as well as against private sector entities. Competition is a valuable approach to increase efficiencies by changing and improving business practices. The current competition regulatory requirements make competition of depot workloads a lengthy and costly process. Every consideration is being given to the competition of workloads from the closing depots where appropriate. However, one of the anticipated outcomes of the Government-Industry Task Force is that the Department's competition policy will be refined.

QUESTION: Some officials from both industry and DoD argue that we can never achieve level playing field

for competing depot maintenance workload. Do you agree?

ANSWER: There has been much attention on the subject of level playing field for competing depot maintenance workloads. Despite good faith efforts on the part of the Department, the establishment of a level playing field for public/private competition is a difficult undertaking. There are inherent differences between Government and private industry. We are striving to improve our ability to compare the two sectors in head to head competitions. We have published the Cost Comparability Handbook incorporating industry comments, in an effort to institutionalize the treatment of various costs for competition purposes. However, the existing DoD cost accounting systems do not yet provide all the information desired. Moreover, there are those in industry that feel that the differences in accounting systems and structure used by the two sectors make cost comparability an elusive goal.

QUESTION: To date, thousands of DoD maintenance workers have been let go. Are these workers being absorbed into other industries? What will become of the facilities and equipment that are being left behind at closed depots?

ANSWER: The experience of communities affected by earlier base closing clearly indicates that successful adjustments are possible. The Department of Defense is committed to helping affected communities through the transition process.

DoD has a number of excellent programs to mitigate the adverse affects of base closures and realignments on personnel and communities. The Priority Placement Program (PPP) is the primary method by which civilian employees are afforded the opportunity for placement assistance in other DoD positions and locations. The General Accounting Office has reviewed the PPP and reported that several million dollars are saved each year in severance pay and unemployment compensation avoidance. Additionally, there are substantial savings in retaining skilled people within DoD. Also, DoD has a Defense Outplacement Referral System (DORS) and a Transition Bulletin Board (TBB) to help defense personnel who are actively seeking private sector employment. Once an employee leaves the federal workforce our visibility ends. However, DoD encourages all effected employees to use these programs to aid them in their job transition.

A local reuse committee is typically chartered to develop reuse plans for the facilities, with the objective to replace Federal jobs with new private sector jobs. This is in keeping with President Clinton's five-part plan for revitalizing base closure communities. Most of the major bases scheduled for

closure have a large number of facilities that can be used for a variety of activities. The local reuse committee is to determine what is the best solution for its particular situation. Property can be transferred to the community or State or local government agency, sold, or leased on an interim basis. In all cases, the goal is to assist the community in their transition process.

BALLISTIC MISSILE DEFENSE ISSUES

QUESTION: Mr. Secretary, in recent testimony, you indicated that development of a theater missile defense system would be sufficient to provide a technical foundation for development of a national missile defense (NMD) system. You also said that you place very little emphasis on NMD. Given these considerations, how is the expenditure of \$587 million in FY 1995 on national missile defense technology justified?

ANSWER: It appears that the testimony referred to in the question is that given at my February 2, 1994 confirmation hearing. A more complete summary of that testimony is that, I identified a need to maintain technology development which will allow us to bring the National Missile Defense (NMD) System into operation at such time in the future as it is needed. We want to keep a close relationship between the NMD program and Theater Missile Defense (TMD) technologies that we are developing for deployment in order to capitalize on relevant investments. The emphasis we place on NMD is threat related and, therefore, less than the emphasis we are giving currently to TMD development and deployment. However, to respond quickly to a potentially emergent threat to U.S. territory, we are also developing increasingly capable options to deploy an NMD system.

The Technology Readiness Program builds on past BMDO investments as well as leveraging off of TMD Programs. The direct investment of approximately \$600 million per year is a prudent investment which provides this country with a hedge against future, potentially catastrophic uncertainty.

Currently, there is no deployed capability to defend the United States against missile attacks. Additionally, today's developed capabilities, if deployed, would provide only a marginal capability against even the simplest threats. The urgent need, today, is increased capability. The \$587 million in FY 1995 initiates the NMD Technology Readiness Program with the emphasis on improving NMD elements to create a near term deployment option which will provide good coverage against many existing missiles that could be used as threats against the U.S. The program provides a substantial effort to develop an exo-atmospheric interceptor kill vehicle, the specific technology to convert a TMD Ground Based Radar (GBR) into an NMD GBR, and since the NMD BMC3 is functionally similar to the TMD BMC3, an opportunity to evolve the TMD Battery-level Battle Management system for strategic defense. Additionally, a contingency planning effort will develop deployment plans to be utilized if the need arises, and work will continue on the Brilliant Eyes space and missile tracking system in support of developing an objective capability in the next decade that could be used to provide excellent coverage against existing threats.

QUESTION: Mr. Secretary, given the potential Anti-Ballistic Missile Treaty problems with theater defense systems such as THAAD, is it appropriate to accelerate the pace of THAAD development prior to reaching agreement with the Russians on ABM Treaty limitations?

ANSWER: The current accelerated development strategy should be maintained. The THAAD program schedule and acquisition strategy responds to the tactical missile threat, which continues to proliferate, with many nations developing longer range, increasingly accurate delivery systems. We presently have no defense against most of these systems. In addition, several of these nations are actively pursuing the development of nuclear and chemical weapons, at a time when diplomatic tensions with these same nations are increasing. The factors which led to the desire for a prototype THAAD system that could be deployed in the event of a national emergency are more evident today than ever before.

With this in mind, negotiations are proceeding well in Geneva toward the goal of a rapid resolution of the issue of demarcation between strategic and non-strategic missile defense. Delaying the present development strategy would create unacceptable monetary and system development costs.

Finally, the THAAD to be tested in FY 1995 will have no capability against strategic ballistic missiles and will not be tested in the ABM mode. The DEM/VAL prototype system, to begin testing late this year, is not capable of engaging strategic missile threats.

QUESTION: Dr. Perry, the Executive Branch is negotiating with Russia on revised understandings of ABM Treaty restrictions which were recognized by the Senate in ratifying the treaty. Can you outline current plans to consult with the Senate on revisions to ABM Treaty issues?

ANSWER: I welcome the keen interest in both Houses of Congress regarding the important ABM Treaty discussions with the Russians and other FSU states relative to strategic-non-strategic demarcation and successorship to the Soviet Union under the ABM Treaty. We are fully aware of the legitimate Congressional rights and role pertaining to this endeavor. We realize that if the United States is to have a united front in negotiations, it is important that the Congress understand and concur in Executive decisions and negotiating strategy. Let me assure you that the Senate's rightful role in this process will be respected and consultations will be detailed and frequent. Additionally, we will continue to keep House members informed of the policy decisions of the Administration and the progress of the talks. We will not bypass Congress in this important national security matter. We will scrupulously follow the direction we have received from President Clinton that we consult closely with the Congress before any decision is taken as to demarcation and successorship.

In summary, let me say that it is important that we field a capable theater defense system within the framework of a strong ABM Treaty. With the cooperation and assistance of the Congress of the United States as we approach these discussions I am confident that we can do so.

Defense Airborne Reconnaissance Office (DARO)

QUESTION: Secretary Perry, the Department recently created the Defense Airborne Reconnaissance

Office (DARO) to oversee all airborne reconnaissance activities. Since this office will manage current airborne systems such as the U-2 and EP-3, as well as associated ground stations, sensors and data links, why is this office under the jurisdiction of the Under Secretary for Acquisition?

ANSWER: The DARO is an acquisition oversight organization, responsible for oversight of upgrades and modifications for the systems such as those identified. The DARO is responsible for a balanced investment strategy across all joint and Defense-wide airborne reconnaissance programs for upgrades and modernization. Key management decisions are coordinated with the Office of the Assistant Secretary of Defense for Command, Control, Communications and Intelligence. The DARO is a member of the Military Intelligence Board. The deputy in the DARO is from the office of ASD(C3I).

QUESTION: What management structure has been established to ensure that this office is successful in developing future systems when other such program offices have been unsuccessful?

ANSWER: The DARO has a full-time flag officer and small staff devoted to managing all airborne reconnaissance systems. The DARO performs resource and programmatic oversight for DoD airborne reconnaissance systems to ensure compliance with policy, architecture and standards. This new authority is now consistent with the responsibility of this new office.

QUESTION: Is the DARO working with the intelligence community to ensure that national requirements are met with regard to development of new platforms as well as operation of the U-2 and other platforms being used today?

ANSWER: Yes. The DARO works closely with national community organizations and routinely shares reports, data, analyses and initiatives. The key challenge for the DARO over the next several years will be to field a reconnaissance force mix that is affordable and supports the warfighter.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

MILITARY CONSTRUCTION PROJECTS IN WEST VIRGINIA

Question: Secretary Perry, over the last several years, the Congress has enacted and the President has signed appropriations bills providing significant funding for military construction projects in West Virginia. I am advised that 29 of these projects are in various stages of design and construction. What can be done to accelerate these projects?

Answer: I have attached a list of 29 projects that are currently in various stages of design or construction. The C-130 Support Facilities Project at Martinsburg ANGB was canceled as a result of BRAC 93. The remaining 28 are on schedule and, with the exception of the Land Acquisition at Camp Dawson ARNG, acceleration would be cost prohibitive or impractical. The Land Acquisition project will be accomplished after the Environmental Assessment in March 1994.

The Navy presently has two military construction projects under design or construction:

P-044 - Alternative Operations Center, Naval Observatory Detachment, Green Bank, West Virginia. Status: Scope has now been clarified with the National Science Foundation, and the project is currently under final design. Award of a construction contract is anticipated by August or September 1994; with final scope determined, no acceleration required.

H-088 - Family Housing, Naval Radio Station, Sugar Grove, West Virginia. Status: Construction contract is 98% complete, with all 8 housing units completed and accepted, and final landscaping and road work pending good weather.

Reserve Component
Status WV Projects

The following projects are under construction and acceleration would be cost prohibitive:

Fiscal Year	Component	Location	Project
1992	ANG	Martinsburg Eastern WV Regional Airport	Fire Station
1992	ANG	Martinsburg Eastern WV Regional Airport	Vehicle Maintenance Complex
1993	USAR	Beckley	AFRC/Orq Maintenance Shop
1993	USAR	Elkins	Army Reserve Center/OMS
1994	USAR	Morgantown	Army Reserve Center/OMS
1993	USAR	Rainelle	Army Reserve Center/OMS

The following projects have completed designs and are in the procurement process: therefore, acceleration is not practical:

Fiscal year	Component	Location	Project
1994	ANG	Martinsburg Eastern WV Regional Airport	Aerial Port Training Facility Addition
1994	ANG	Charleston, Yeager Airport	Underground Fuel Storage Storage Tanks
1991	ARNG	Parkersburg	OMS
1992	ARNG	Huntington	Armory, AFRC
1993	ARNG	Clarksburg/Bridgeport	Hangar

The following projects are under design and acceleration would require renegotiation of AE contracts, and would result in prohibitive design costs:

Fiscal year	Component	Location	Project
1991	ARNG	Charleston	Armory
1991	ARNG	Kingswood	OMS
1991	ARNG	Camp Dawson	Training Facilities (Phase IV)
1991	USAR	Charleston	Army Reserve Center/OMS
1992	USAR	Huntington	AFRC/Org Maintenance Shop
1993	USAR	Bluefield	AFRC/Org Maintenance Shop
1993	USAR	Clarksburg	Area Support Maintenance Activity
1993	USAR	Clarksburg	Army Reserve Center/OMS
1993	USAR	Grantsville	Army Reserve Center/OMS
1993	USAR	Jane Lew	Army Reserve Center
1993	USAR	Kingwood	Army Reserve Center
1993	USAR	Lewisburg	Army Reserve Center
1993	USAR	Wheeling	Army Reserve Center/OMS/AMSA
1993	USAR	Wierton	Army Reserve Center/OMS

The following project will be accomplished upon completion of the Environmental Assessment to be completed in March 1994. Acceleration of the land acquisition may be possible.

Fiscal year	Component	Location	Project
1990	ARNG	Camp Dawson	Land Acquisition

The following project has been cancelled as a result of BRAC 1993:

Fiscal year	Component	Location	Project
1992	USNR	Martinsburg ANGB	C-130 Support Facilities

QUESTION SUBMITTED BY SENATOR JIM SASSER

B-2 Bomber Program

QUESTION: Dr. Perry, I want to follow-up regarding the B-2 program. Under the current budget request the Air Force plans to buy a total of 20 B-2s at a cost of \$44.4 billion in current dollars. The Air Force maintains that \$44.4 billion will, in fact, buy 20 functional B-2s. Can you stand by that figure? Can you assure the Committee that \$44.4 billion will complete the buy?

ANSWER: The FY94 legislation capped the B-2 program at 20 operational aircraft, and \$28.968 billion in base year FY 81 dollars. We are currently executing the program within the cap, and it is our full intention to remain within the cap for the baseline program.

FY94 congressional action to withhold organic depot funds from the Air Force will cause an increase in Interim Contractor Support (ICS) costs for the B-2 costs which are normally covered under the capped funds. While this has not caused us to break the cap, it does add to pressures against the cap. I would ask the Congress to keep in mind the potential impacts that future legislation on the B-2 program may have on our ability to execute the program within the cap.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

OPERATION AND MAINTENANCE - NON-TRADITIONAL ITEMS

Question: The O&M budget as proposed increases by 5.6% over last year. How much of the O&M budget, however, goes for "peacekeeping," Nunn-Lugar, and other non-traditional defense spending? Do you expect to request a peacekeeping supplemental next year (as we had this year), or have you included sufficient funds for this in the budget?

Answer: The attached detail lists non-military activities that are contained in the FY 1994 column of the currently requested Operation and Maintenance Appropriations. FY 1994 is shown to display not only items initiated by the Department, but items that were specifically added by Congress. The total of non-military items in O&M appropriations is \$3,773.6 million. No funding is included in the budget for DoD's incremental costs of potential peacekeeping operations. U.S. troops will no longer be involved in Somalia, and while there has been lengthy discussion regarding U.S. troops in the former Yugoslavia, no commitment has been made. To the extent that U.S. troops are involved in peacekeeping operations, a FY 1995 supplemental will be required. While the FY 1995 budget does include \$300.0 million for payment of U.N. peacekeeping assessments, none of these funds will be used to directly offset DoD incremental costs.

NON-MILITARY ACTIVITIES

This includes activities which are outside of the current national military strategy of Strategic Deterrence and Defense, Forward Presence, Crisis Response, and Reconstitution. Non-Military Activities includes Humanitarian Assistance, Disaster Relief, Former Soviet Union Threat Reduction, and Drug Interdiction and Counterdrug Activities. It includes activities which are either congressional directed or DoD initiated and involves incremental amounts of appropriated funds.

	<u>FY 94</u> <u>\$ Millions</u>
<u>O&M, Army</u>	
Army Environmental Policy Institute	6.5
Junior ROTC	69.1
San Francisco Conservation Corps	.4
Golden Knights	<u>2.6</u>
	78.6
<u>O&M, Navy</u>	
Coast Guard Support	18.2
Coast Guard Pay Raise	21.7
Junior ROTC	18.5
Blue Angels	16.5
Naval Observatory	9.3
Junior Leadership Corps	4.0
Oregon Marine Environmental Station	2.0
U.S.S. Chauvenet Museum	8.0
U.S.S. Nimitz Museum	1.2
Disadvantaged Business/Black Colleges	<u>2.0</u>
	101.4
<u>O&M, Marine Corps</u>	
Junior ROTC	5.1
<u>O&M, Air Force</u>	
Civil Air Patrol Corporation	4.4
Junior ROTC	16.5
Thunderbirds	<u>4.5</u>
	25.4
<u>O&M, Army National Guard</u>	
Los Angeles National Guard Outreach Program	10.0
Urban Youth Program	<u>3.0</u>
	13.0
<u>O&M, Air National Guard</u>	
Urban Youth Program	2.0
<u>O&M, Defense</u>	
DoD Dependents Education	1,176.5
Former Soviet Union Threat Reduction	400.0
Humanitarian Assistance	108.0
Disaster Relief, Mt. Pinatubo	15.0
Drug Interdiction and Counterdrugs	590.9

Legacy Resource Management	50.0
Aid to Public Schools	48.0
Office of Economic Adjustment	38.8
Defense Conversion	65.0
Military Youth Program	70.0
Summer Olympic Games	2.7
World University Games	2.5
World Cup Soccer	6.2
World War II Commemoration	1.0
Defense Health Program: Rural Health Demonstration	1.2
Indigent Care	2.5
Brown Tree Snakes	1.0
National Museum of Medicine	1.5
Conversion of Presidio into National Park	10.0
Fort Wadsworth National Park	10.0
National Park System Cultural Cyclic Resource Pgm	5.0
Project Peace	10.0
Administration of Native American Lands	8.0
Natural Gas Technology	1.5
Assistance to New Independent States of Former USSR	924.0
	<u>3,548.1</u>
O&M Total	3,773.6

EQUIPMENT MAINTENANCE

Question: What percentage of the O&M budget is being spent on mods, retrofits, maintenance and repair and overhaul of existing systems (as opposed to readiness and optempo activities)?

Answer: Of the \$92.9 billion in O&M funding for the Department for FY 1995, about \$16.1 billion (17%) will be sent on equipment maintenance. This includes depot maintenance, stock funded depot level reparables (DLRs) and field level maintenance.

T-45

QUESTION: Did the prime contractor on the T-45 (McDonnell Douglas) and the uniformed Navy recommend that an alternate engine for the T-45 program be qualified?

ANSWER: McDonnell Douglas and the Navy both concurred that life-cycle cost savings could be achieved by qualifying and competing an alternate engine. However, subsequent reductions in T-45 requirements and stretched-out T-45 procurement delayed the life-cycle payback cross-over point, making the up-front investment unaffordable in the current budget climate.

QUESTION: Has a firm price for the engine which has been proposed for the T-45 been established by way of a signed contract with the manufacturer, or could the price of the engine increase?

ANSWER: The advanced acquisition contract with ROLLS-ROYCE specifies a "not-to-exceed" price.

UTILITY HELICOPTERS

Question: You indicated to me when we met last month that a study of future Army utility helicopter requirements was soon to be forthcoming. Has that study been concluded? If so, what are its conclusions regarding a possible service life extension program for the existing UH-1 (Huey) helicopters? If not, when can we expect the study will be concluded and made available to Congress?

Answer: The study on future Army utility helicopter requirements is not complete. Projected completion date for the study is on/about 1 May 95. The study will be made available to the Defense Committees shortly thereafter. The subject of a possible service life extension program for the UH-1 is included in the study.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

BOTTOM UP REVIEW

Question: The Bottom Up Review says that the US must be able to deal with two major regional conflicts simultaneously. Does the BUR force structure assume the help of our allies in dealing with major regional threats? If not, how would the required force structure change if we considered the contributions of countries such as South Korea, Saudi Arabia, and our NATO allies?

Answer: In considering future force needs, we assumed that allies or friends directly threatened by aggression in their region (e.g., the Republic of Korea, Saudi Arabia, and NATO allies) would participate fully in their own defense. Such participation, which would include granting US expeditionary forces prompt access to facilities in threatened regions, would be critical to the success of defense efforts. Indeed, it is difficult to imagine conducting large scale defense operations without such cooperation.

As part of our efforts to adapt NATO and other alliances to the changing demands of the post-Cold War era, the Administration will continue to work toward more explicit arrangements with our allies for combined military operations "out of area." The enduring common interests we share in regions such as Southwest Asia provide a sound basis for such arrangements.

QUESTION: What is the role of arms sales in U.S. national security policy?

ANSWER: Defense exports play a critical role in U.S. national security policy. These sales help maintain stable regional defense balances, reduce demands on U.S. forces, contain the spread of crises, and solidify existing defense relationships. U.S. defense exports enhance interoperability with allied and other friendly nations in the event of future coalition operations. Victory in Operation Desert Storm was heavily dependent upon cooperation and interoperability with allied troops, many of whom were equipped with U.S. origin weapon systems. In the future, the drawdown in U.S. forces will increase our reliance on regional allies and temporary coalitions.

Exports of defense articles also contribute to a healthy domestic economy, which is an integral part of U.S. national

security. It is estimated that each \$1 billion spent in the U.S. on procurement of defense equipment directly creates or preserves 20,000 man-years of employment. Defense exports help reduce our own procurement costs, and contribute to the continuation of many DoD production lines which constitute part of our mobilization base in the event of a military emergency. As procurement for U.S. forces decreases, defense exports assume a more significant role in preserving the defense industrial base and saving American jobs.

The U.S. Government maintains an extensive oversight process to ensure that arms exports are fully consistent with U.S. national security and foreign policy interests. These include regional policy objectives, compliance with international nonproliferation and arms control initiatives, the proposed recipient's legitimate defense requirements and ability to effectively control retransfer of the equipment, protection of U.S. defense technology and information, and impact on the defense industrial base.

QUESTION: I am co-sponsor of a bill introduced by Senator Hatfield, the Code of Conduct on Arms Transfers. If it is adopted, the US could not sell arms to countries which are: undemocratic, do not protect human rights, do not participate in the UN Conventional Arms Register, or are engaged in aggression. The bill provides for a presidential national security waiver. Would the Administration support such a code of conduct?

ANSWER: Promoting democratic values and protecting human rights are important foreign policy objectives of the Administration. Arms transfers are an important instrument of foreign policy as well as national security. Arms transfers not only provide for the security of the US, its friends and allies, they provide a means for the US to engage these countries on issues of importance to our national security and foreign policy objectives. The proposed bill could limit our ability to achieve our national security and foreign policy objectives, even with the presidential waiver authority.

We are particularly concerned about linking arms transfers to compliance with the UN Register of Conventional Arms. The Register was negotiated as a voluntary measure. It is also still in its beginning stages of development, and such an initiative could challenge its continued viability, as well as potentially compromise our ability to defend higher order national security interests.

Question: Would you please review for me the steps required to gain approval for foreign arms sales: government to government; commercial sales.

-- What agencies in the executive branch must approve the transactions? What criteria do they use?

-- Which kinds of sales require Congressional notification? What is the form of that Congressional notification?

Answer: Arms sales requests are received from foreign governments, in the case of government-to-government Foreign Military Sales (FMS), or from U.S. industry, in the case of direct commercial Sales (DCS). In FMS, the foreign government submits a letter of request, generally to the cognizant U.S.

Military Department, with copies to the State Department and the Defense Security Assistance Agency. In DCS, U.S. firms submit munitions export license requests to the State Department.

The State Department is responsible for security assistance policy, including arms sales, and the issuance of munitions export licenses. The Defense Department is responsible for implementing U.S. Government defense security assistance programs, including FMS, and establishing the availability of U.S. defense articles and services for transfer abroad. The State Department must approve all arms sales; the Defense Department and Arms Control and Disarmament Agency provide substantial input on arms sales decisions. The Commerce Department is consulted on proposed international agreements for the codevelopment or coproduction of U.S. defense articles. The Commerce Department also participates with the State Department and Defense Department in the staff-level Excess Defense Articles Coordinating Committee, which develops recommendations to State Department decision makers on offers of excess defense articles to foreign recipients. The National Security Council participates in arms sales decisions involving major policy issues.

Sales may be made only to eligible foreign governments and international organizations. Before a country may become eligible to purchase defense articles and services from the U.S. Government, the President must find that the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace. Purchasing countries and organizations must agree not to transfer U.S. defense articles and services to third parties or use such articles or services for purposes other than those for which furnished without the prior approval of the U.S. Government. They must provide substantially the same security for the defense articles and services transferred that the U.S. Government would provide.

Defense articles and services may be sold by the U.S. Government to friendly countries solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of enabling foreign military forces in less developed countries to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries.

Each proposed arms sale is reviewed carefully to ensure its consistency with U.S. foreign policy and national security interests, including our interests in regional peace and stability, avoidance of regional arms races, nonproliferation of dangerous military capabilities, democracy and human rights, U.S. forces' operational effectiveness and technological

superiority, and the ability of the U.S. industrial base to adequately support U.S. defense requirements. The Administration approves only those sales that are consistent with our foreign policy and national security interests; economic factors are not a primary consideration.

For most countries, Congress is notified at least 30 days, and generally more than 50 days, in advance of any proposed sale of major defense equipment valued at \$14M or more, any sale of defense articles and services valued at \$50M or more, and any sale of design and construction services valued at \$200M or more. Sales to NATO and NATO member states, Australia, Japan, and New Zealand are notified 15 days in advance. Congress also is notified at least 15 days in advance of all proposed sales or grant transfers of excess defense articles, regardless of their value and recipients. Also submitted to Congress are reports on emergency drawdowns, projected program content, sale of war reserve stocks, sales from stock having an adverse impact on US forces, estimates and justifications for sales programs, enhancement or upgrade of certain items, and others. Typical notifications consist of reports to the President of the Senate, Speaker of the House of Representatives, or the chairmen of specific House or Senate committees.

QUESTION: Does the Administration support the idea of providing loan guarantees to companies for overseas arms sales?

ANSWER: U.S. defense sales are legitimate exports and should enjoy the same access to official export assistance as other U.S. exports. DoD supports the establishment of a defense export loan guarantee program. The Administration is currently considering the establishment of such a program as part of its conventional arms transfer policy review.

TRIDENT OPERATING TEMPO

QUESTION: As you know, at any given time we keep about 67 of our guided missile submarines at sea. By the late 1990s, that means we will have about 12 Trident submarines with 288 missiles and 1152 warheads (4 per tube) at sea at any given time. (By way of contrast, Britain will keep only one of its four planned Tridents at sea.) How do we know that is the optimum number of warheads to guarantee deterrence?

ANSWER: The number of warheads allocated in support of strategic deterrence is based on guidance from the President in the form of the National Security Decision Directive. This guidance is further refined by the staff of the Secretary of Defense and the Joint Chiefs of Staff. Based on current and potential nuclear threats, the TRIDENT submarine force with its associated missile and warhead loading, will provide a credible deterrent force well into the next decade.

Operating TRIDENT submarines at sea provides us with our most survivable strategic asset on a day-to-

day basis. This survivability coupled with the unparalleled capability of the TRIDENT platform forms the cornerstone of credible strategic deterrence.

The deterrent posture of the TRIDENT submarine at sea is further enhanced by the availability of the remaining strategic forces - inport SSBNs, ICBMs, and strategic bombers - which can rapidly generate to a posture of maximum readiness if required.

QUESTION: Is the operating tempo of our Trident submarines based on holding at risk a certain set of targets in the former Soviet Union? Or is it based primarily on the need to keep the crews well trained?

ANSWER: The operating tempo of TRIDENT submarines is dictated by the requirement of holding assigned strategic targets at risk. However, submarine crews must continue to operate at sea for reasonable periods of time each quarter to maintain operational readiness.

QUESTION: Are you looking at how much we might save by reducing the op tempo of our SSBN fleet?

ANSWER: Since the SSBN fleet forms the backbone of the strategic deterrent force, any reduction in operating tempo would adversely affect our ability to meet our strategic commitments. Reducing the operating tempo of a strategic nuclear submarine does not reduce costs. The operating costs associated with TRIDENT are for direct maintenance requirements, spares, and utility support. As a matter of fact, a reduction in operating tempo would require an additional one-time investment in ship piers, hardware to support more ships tied to the piers, and continuing higher utility charges with more ships in port. A significant change in the operating tempo would also require a major change in the TRIDENT maintenance plan, resulting in additional cost.

MODERNIZATION

QUESTION: Given the end of the cold war and given our budget problems, wouldn't it make more sense to refurbish some of our major weapons such as aircraft carriers and Los Angeles class submarines rather than replacing them with entirely new systems?

ANSWER: The end of the cold war has brought with it a new series of challenges. The United States must maintain the right combination of weapon systems to respond to a wide variety of responsibilities while operating within a constrained budget environment. Given the long lead time of submarine and carrier design and procurement, shipbuilding decisions made today will impact the military effectiveness of our nation thirty years in the future. Even more critical

to our naval superiority in the next century is the need to retain an indigenous industrial base to sustain major weapon systems such as aircraft carriers and submarines. While in the short run, a strategy centered on refurbishment may appear to be fiscally appealing, low rate production of new design platforms represents the most cost effective solution for the future.

Refurbishing major weapon systems does not exercise vital parts of the production infrastructure necessary to maintain shipbuilding skills and proficiency. In addition to the degradation in design and specialized building skills, lack of new production jeopardizes the survival of prime and second tier vendors. Specifically, the sub-tier vendors which provide the unique components for these ships must also have new work in order to retain their own technical expertise. Without evidence of a long term commitment to low rate production, contractors will abandon the shipbuilding industry. Several studies have shown that a shutdown followed by reconstitution is extremely risky, costly and, in fact, may not be possible at all.

QUESTION: What is the military requirement for CVN 76? Can that requirement be adequately performed by a new or overhauled conventionally-powered aircraft carrier?

ANSWER: CVN 76 is a key element in maintaining and modernizing the Navy's carrier force level by replacing an older, less capable, conventional carrier that is approaching the end of its 45 year service life. The recent Department of Defense Bottom-Up Review (BUR) sized our naval forces to fight and win in two nearly simultaneous Major Regional Conflicts (MRCs). However, our overseas presence needs can impose requirements for naval forces, especially aircraft carriers, that exceed those needed to win two MRCs. The flexibility of our carriers, and their ability to operate effectively with relative independence from shore bases, makes them well suited to overseas presence operations, especially in areas such as the Persian Gulf, where timely access to land-based infrastructure is politically tentative. For these reasons, our force of aircraft carriers is sized to reflect the CJCS Global Presence Policy requirements, as well as the BUR warfighting requirements.

The military requirement for CVN 76 could be adequately performed by a new or overhauled conventionally-powered carrier, however, there are several factors that must be considered. In order to maintain the Department of Defense carrier force structure of 11 + 1, a replacement carrier must be delivered by FY 2002. Carrier acquisition takes nine years from appropriation to delivery. This includes two years for advance procurement funding and a seven year construction period. There is not enough time available to design and construct a new conventionally-powered carrier and meet the force structure replacement timeline of FY 2002. Additionally, the recent Bottom-Up Review completed a detailed analysis concerning modernization of older,

conventionally-powered carriers to compensate for delaying the construction of CVN 76. This modernization strategy included retaining USS America (CV 66) beyond its planned decommissioning in FY 1996 and operating USS John F. Kennedy (CV 67) for as much as eight years beyond that ship's current estimated service life. This modernization strategy was rejected because the technical difficulties involved would make a service life extension program (SLEP) for the America (CV 66) prohibitively expensive, and further extending the Kennedy's (CV 67) service life would require an additional, unplanned and costly overhaul.

Another factor rejecting this option was the training and maintenance efficiency to be gained by transitioning to an all nuclear powered carrier force.

QUESTION: I understand that we will soon start retiring Los Angeles class submarines at 15 years of age, only one half of their design life. Aren't they the best submarines now in service anywhere in the world? If so, what is the military requirement for another SEAWOLF submarine?

ANSWER: The Bottom Up Review studied the issue of attack submarine force levels. The results of the BUR determined that the attack submarine force level should be reduced to 55 ships by FY-99 and then maintained between 45-55 ships. The Navy has instituted an aggressive plan to "rightsize" the attack submarine force levels. Ten Los Angeles class (688s) attack submarines will be retired rather than be refueled within the FYDP. Retirement of these ten 688s is the best way to reduce operating costs and to achieve an attack submarine force of 55 ships by FY 99.

The 688 is the best submarine in our fleet today. However, recent analytical studies have shown that the SSN 688s have an increasing level of vulnerability against the current and projected threat. As of today, there are other submarines at sea or under construction which are as quiet or quieter than our Improved 688 (688I) class submarines. Also, SSN 688s lack the room for growth required for a submarine class expected to be in service throughout the first half of the next century.

The SEAWOLF attack submarine will be the quietest platform and most capable submarine in the world when it reaches the fleet in FY-96. However, SEAWOLF is too expensive for production in the numbers required to maintain force levels. Authorization of SSN-23 will be requested in FY-96 to provide a production bridge which will sustain the submarine industrial base until the Navy can complete the design of the more affordable New Attack Submarine (NSSN) and commence construction in FY-98. Also, SSN-23 will provide an additional attack submarine with the requisite stealth to execute our national military requirements as defined by the Joint Staff.

QUESTION: According to the press, the GAO has reported that the F-15 will be able to deal with all projected threats through about 2015. Why, then do we need to push forward with deploying the F-22 ten years before then at a cost of some \$75 billion or so?

ANSWER: The GAO is incorrect in its assertion that the F-15 will be able to deal with all projected threats through 2015. An extensive review of the GAO report in question found that it used invalid analysis, and did not consider the critical threat of Surface-to-Air Missiles (SAMS) at all. In addition, the report is inaccurate in its depiction of the threat anticipated for 2000-2015. For these reasons, the GAO report in question is not adequate for making decisions on F-15 replacement.

The GAO report substantially underestimated both the quality and quantity of the fighter threat beyond the year 2000. The current U.S. air superiority fighter, the F-15, is losing its technology edge to newer, more advanced threats. Many fourth generation fighters such as the Russian MiG 29, the SU 27, and the French Mirage 2000 have achieved rough performance parity with the F-15 and are available for export. By the time the F-22 reaches Initial Operational Capability thousands of these fourth generation aircraft will be widely proliferated to potential adversaries.

The GAO used the wrong aircraft as the most challenging threat in their report. On the horizon are a number of fourth-plus and fifth generation aircraft that will outclass the F-15. The Russian Multirole Fighter Interceptor (MFI) is a prime example of a fifth generation aircraft and is the threat the GAO should have used. By the F-22's early service life (2005-2010), the U.S. expects that the Russians alone could have [deleted] fourth-plus and fifth generation aircraft, including [deleted] fifth generation MFIs.

Besides newer threats, there is an emerging threat from hybrid aircraft. These are systems that combine older fighter airframes with updated radars, missiles, and avionics. Both Israel and Russia are marketing upgrade programs that would greatly enhance the lethality of the MiG-21, over [deleted] of which are now in service.

The numerous and increasingly sophisticated aircraft threat, combined with a proliferation of advanced SAMS, dictates the need to push forward and replace the F-15. Its replacement, the F-22, is designed to contend with these advanced threats and provide the U.S. with air dominance well into the next century.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

Overseas Contamination

QUESTION: Did Environmental problems at military bases in the U.S. and overseas result from U.S. activities?

ANSWER: Training and industrial-type activities by U.S. Military forces have resulted in adverse environmental impacts at military installations in the U.S. and overseas. However, not all contamination at military installations has been caused by U.S. forces. On overseas bases, in particular, contamination may have been caused by use prior to the arrival of U.S. forces, as a result of combined U.S./allied forces operations, or as the result of the operations of another military force which also has rights to use the facility. Obligations to correct any adverse environmental effects caused by U.S. forces are related to specific basing rights or country to country agreements. To prevent the creation of additional

contamination, the Department has developed a program to identify standards for environmental compliance tailored to each country where we maintain a presence.

Pollution Prevention

QUESTION: Isn't it appropriate for the Pentagon to spend money on pollution prevention now so we will not need to spend billions down the road to pay for environmental cleanup?

ANSWER: Yes. It is not only appropriate, it makes good business sense. The Deputy Under Secretary of Defense (Environmental Security) established the position of Assistant Deputy Under Secretary of Defense (Pollution Prevention) to focus on this issue. That office is actively engaged in making pollution prevention a key element of our environmental security program. The Under Secretary of Defense (Acquisition and Technology) issued a memorandum on December 10, 1994, committing the entire Department to pollution prevention and implementing Executive Order 12856 "Federal Compliance with Right to Know and Pollution Prevention Requirements." The Department is moving away from end-of-pipe controls to making pollution prevention an integral part of the acquisition process and facility management. The Military Services and Defense Agencies have initiated active pollution prevention programs.

QUESTIONS SUBMITTED BY SENATOR ALFONSE M. D'AMATO

Question: DoD Comptroller has withheld FY94 funds authorized and appropriated for the Real-time Electromagnetic Digitally Controlled Analyzer Processor (REDCAP) facility pending the release of the Reliance report, the only test and evaluation facility so treated. Why didn't the Comptroller withhold the release of hundreds of millions of dollars of FY94 upgrade funds supporting 22 major test and evaluation facilities until the release of the Reliance report?

Answer: The FY94 President's Budget reflected a balanced program for maintaining and modernizing test and evaluation facilities as efficiently as possible. During deliberations on development of the FY94 President's Budget, the decision was made to reduce the level of on-going upgrades at REDCAP and defer new upgrades until the specific issue of possible collocation raised by the DoD Inspector General had been addressed in the Reliance Report. Given that decision, it was not clear whether the additional FY94 funds provided by congress could be applied efficiently depending on the pending issue of possible collocation.

RESOURCE REQUIREMENTS

QUESTION: Section 158 of P.L. 103-160, titled Sales Authority of Certain Working Capital Fund Industrial Facilities of the Army, included a section calling for prescription of regulations not later than 30 days from date of enactment.

It's 90 days since the date of enactment. What is the status of the regulations?

ANSWER: Development of these regulations is underway on an expedited basis. Action was taken to delegate this authority to the Army immediately after the enactment of the FY94 National Defense Authorization Act, but, that delegation was subsequently found to be legally insufficient. The Office of the Secretary of Defense is preparing a document that fully complies with the legislation, as well as requirements governing the proper delegation of such authority. The current DoD Directive dealing with this authority will be canceled. The Army will then issue guidelines for appropriate use.

Installed System Test Facilities (ISTFs)

QUESTION: Some in the test and evaluation community have argued that Installed System Test Facilities (ISTFs) are good for instrumented testing of self-interference, but cannot test electronic combat effectiveness? Do you agree? If not, what do you believe are the strengths and weaknesses of ISTFs?

ANSWER: Effectiveness testing of electronic combat equipment requires a Category I ISTF (Reliance EW Panel Definition). Category I ISTFs are defined as those that have a full complement of true frequency signals including full multispectral simulation, interactive threat radar systems and/or validated simulators, and a high fidelity dynamic range and angle simulation capability. Such a facility provides the capability to simulate real-world dynamic engagements between multiple players on both sides. ISTFs are critical for testing the performance of integrated weapons platforms. Systems on these platforms require multiple, simultaneous, multispectral (communications to optical wavelength) inputs in order to fully accomplish end-to-end performance testing. ISTFs today approach but have not fully achieved the full Category I capability.

The strength of ISTFs is their capability to test the fully integrated weapons platform prior to open-air testing. ISTFs also test the responsiveness of on-board systems to external stimuli to determine if the total platform with all of its on-board systems in the correct physical configuration can be subjected to performance of the platform to be evaluated to determine how well the on-board systems work in a mutually inclusive environment without interfering with each other. These integrated systems tests can be performed within an ISTF for a fraction of the cost of performing them in an open-air environment (typically 1/10 the cost on a per hour basis) while also providing a more highly controlled (sterile and repeatable) environment than can be attained in the open-air. ISTFs allow the testing of the susceptibility of platforms to externally generated, potentially disruptive signals that could compromise the

performance of the on-board systems. The very dense signal environment tests cannot be performed in the open-air because of the costs.

Current ISTF limitations include full multispectral capability, the ability to test air to ground radar systems, faithful reproduction of transmitted waveform shapes, and the lack of true far-field signal radiation effects in dynamic scenarios.

ISTFs are a critical test resource in the T&E evaluation process but are only one part of the symbiotic whole.

F-22 TEST AND EVALUATION

QUESTION: In a report to Congress last year, the Air Force stated that the avionics and electronics of the F-22 required unique test and evaluation (T&E) capabilities not currently available. What is it about the avionics and electronics of the F-22 that require unique T&E capabilities? What are those unique T&E capabilities, where will they be located, and what will they cost? What other developmental programs require similar T&E capabilities?

ANSWER: The F-22 has a fully integrated avionics system that correlates information from multiple sensors. Testing requires the ability to stimulate all of these sensors simultaneously with signals that appear to come from a single target. This capability does not exist in current hardware-in-the-loop (HITL) facilities or installed system test facilities (ISTFs). Planned upgrades will still not give these facilities integrated avionics test capabilities. The only facilities that will be capable of F-22 testing are the Avionics Integration Lab (AIL), at Seattle WA, and the System Integration Lab (SIL) at the Air Force Flight Test Center (AFFTC), at Edwards AFB CA, through upgrades planned in the Electronic Combat Integrated Test (ECIT) program. The AIL and the SIL are the only facilities that will permit testing of the F-22 avionics as a complete suite—which is required to determine overall performance—and not as individual components. The planned F-22 budget for the SIL and AIL will be provided by 18 Mar 94. No other current programs require this unique capability; however, the government test facilities used by the F-22 can test other aircraft such as the F-18, F-14, B-1B, B-2, F-16, and F-15. It is anticipated all future fighter development programs will require this capability.

C-17 Cost, Schedule, and Performance Criteria

QUESTION: In recent testimony before the House Armed Services Committee concerning the C-17, the GAO questioned the lack of "established specific cost, schedule, and performance criteria against which to evaluate improvements in the contractor's performance

and which will enable DoD (and Congress) to make an informed decision on whether to continue the program beyond 40 aircraft." Please describe what you believe to be proper cost, schedule, and performance criteria to judge the C-17.

ANSWER: The Department of Defense is committed to establishing criteria against which to assess contractor performance for the November 1995 C-17 Milestone III decision, as one of the factors required to determine whether to continue the C-17 program beyond 40 aircraft. Criteria already exist in the areas of: cost (1. a further cost and operational effectiveness analysis, similar to that conducted by the Institute for Defense Analyses, to be performed prior to C-17 Milestone III, and 2. a comparison of each of the C-17 lot's estimated cost at completion as compared to the lot's target cost); schedule (delivery and production rate criteria in the FY94 Authorization Act); performance (1. key performance parameters in the C-17's Acquisition Program Baseline to be revised for consistency with the revised specifications in the C-17 settlement between DoD and the contractor, and 2. the performance criteria in the FY94 Authorization Act). At the request of the Under Secretary of Defense (Acquisition and Technology) (USD(A&T)), the Air Force is currently developing specific criteria (from above or additional ones) for the Milestone III decision, which will be presented to the USD(A&T) for a decision. The entire process is estimated to be completed before the end of FY94. The criteria will then be provided to the congressional defense committees.

Pilot Programs

QUESTION: Just as flouting Congressional direction has gone from happenstance to habit in the Pentagon, acquisition reform "pilot programs" have been proposed that could gut program oversight by waiving most documentation, including CAIG estimates and COEAs, program objectives, baselines, and milestones, and test and evaluation. Were such waivers granted, the result would be self-designed, event-based, self-monitored, self-enforces, self-tested, and self-evaluated acquisition programs all but impervious to Congressional control. Why should we grant that kind of latitude to the Services when they increasingly fail to respond to their Congressionally-mandated overseer? In fact, why shouldn't we write the 5000 series acquisition regulations into law to hold the Pentagon's feet to the fire?

ANSWER: DoD has not "gutted" oversight of the pilot programs. The pilot programs will be conducted in accordance with the acquisition policies contained in both DoD Directive 5000.1 and DoD Instruction 5000.2. The Under Secretary of Defense (Acquisition

and Technology) will continue to be the milestone decision authority for the two pilot programs that are major defense acquisition programs (i.e., JDAM and JPATS). None of the milestones have been waived. None of the programs has been relieved of meeting any of the minimum required accomplishments for proceeding with development and production.

The intent of our statutory waiver request, as expressed in the analysis accompanying the proposed legislation, is to remove statutory detail in baselines and SAR/UCR reporting and to allow flexibility and a lower oversight level for cost estimating and baseline their programs, report to Congress, and independently estimate costs and conduct operational tests.

Likewise, our regulatory relief efforts will not remove the requirement for the pilot programs to adhere to DoD acquisition policy. The regulatory relief being granted will allow the pilot programs to use tailored procedures to meet the intent of the policy.

Defense Industry Consolidations

QUESTION: What specific defense-related skills, capabilities, or facilities have you identified as making up our critical industrial base? Will the proposed procurement of the CVN-76 sustain any of these skills, capabilities, or facilities? What procurement alternatives exist for protecting those same skills, capabilities, and facilities?

ANSWER: The Department is preparing a report pursuant to section 1031(e) of Public Law 102-484 on the adequacy of the shipbuilding industry to meet military requirements, including sealift, during the period 1994-1999 and the causes of any inadequacies identified and actions that could be taken to correct such inadequacies. The report should be available to the Committee by the end of March 1994.

The proposed procurement of CVN-76 will help to sustain some of those critical skills, capabilities, and facilities for shipbuilding and selected portions of the vendor base.

The Bottom-Up Review directed procurement of an additional SEAWOLF submarine in FY96 at Electric Boat to maintain the nuclear submarine industrial base. The combined effect of the CVN and SSN programs as currently structured will sustain all or most of the nuclear shipbuilding industrial base at minimum production rates through the FYDP period.

Question: In recent testimony before the House Armed Services Committee, General Mundy estimated the production flyaway cost of

the V-22 at \$42 million. What rate of procurement is required to support a V-22 production flyaway cost of \$42 million?

Answer: A rate of procurement of 24 aircraft per year is required to support the \$42 million production flyaway cost. Funding currently identified in the Future Years Defense Program (FYDP) for the Medium Lift Alternative (MLA) is insufficient to procure the V-22 at that rate. According to current plans that rate would be achieved in FY 2026. Production rates and associated funding will be addressed at the V-22 Defense Acquisition Board scheduled for September 1994.

Question: Last year, the Marines paid \$27 million for CH-53s. Can medium lift requirements be so arduous as to justify a solution that is at least half again as expensive as the solution to heavy lift requirements?

Answer: Yes. Our experience and numerous studies show that the CH-53Es low survivability, large size for limited ship flight decks and tactical loading zones, and high maintenance manpower requirements make it a poor choice for the assault medium lift mission. The Center for Naval Analyses 1993 Medium Lift Replacement Cost and Operational Effectiveness Analysis (COEA) supports this conclusion and determined that the V-22 was the most cost-effective and most capable option within the range of \$26-\$36 billion Life Cycle Costs.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

Environmental Programs

QUESTION: Your Department has expressed concern that the budget for DoD environmental programs will continue to rise at a steady rate through the remainder of the decade. How much of an increase do you expect for environmental programs by the year 2000? What percentage of these funds are dedicated for nuclear handling and cleanup activities? What percentage of nuclear maintenance and clean-up activities is funded through the Department of Energy?

ANSWER: As the Cleanup program enters the more expensive portion of restoration, both in the Base Closure area and active bases, costs will continue to increase 2 - 3 percent per year. In addition, the always increasing number of environmental regulations with which we must comply causes the Department to devote increasing resources to these programs. The bulk of nuclear cleanup and handling activities are not contained in the Department's environmental program. The cleanup program identified only about 2 percent of our active sites where a potential for low level radiological waste exists. The Department of Energy request for Defense Environmental Restoration and Waste Management is about \$5.2 billion in FY 1995. Further details should come from the Department of Energy.

SHIPBUILDING INDUSTRIAL BASE

Question: The level of Navy ship construction envisioned in this plan may not be sufficient to sustain the existing shipyard base. More than 50 percent of the ship construction money is dedicated to one vessel, the next new nuclear aircraft carrier, (CVN-76). Why is it assumed that only by building new nuclear aircraft carriers can we sustain our shipbuilding industrial base? A 300-ship Navy would require us to build ten ships a year, assuming a normal 30-year vessel life. But our current building schedule can only support about half that number. How do you plan to sustain the existing shipyard industrial base by building only nuclear aircraft carriers and a smattering of other smaller vessels?

Answer: Building only nuclear aircraft carriers will not sustain the entire shipbuilding industrial base. The Department of the Navy shipbuilding and conversion six year plan supports the proper mix of ships and force levels derived from the Department of Defense's Bottom Up Review.

The current shipbuilding industrial base reflects the buildup of Navy force levels in the 1980's concurrent with the virtual loss of commercial shipbuilding business during that period. Downsizing, or "rightsizing," of the shipbuilding industrial base will continue over the next several years due to declining Navy shipbuilding programs and the absence of commercial shipbuilding contracts.

As the shipbuilding industry continues to downsize by eliminating idled production capacity, additional high wage jobs will be lost and some shipyards will have to find other work, diversify, or close. It is clear that forecasted Navy shipbuilding requirements are insufficient to sustain the shipbuilding base as it exists. Efforts to revitalize the commercial shipbuilding industry must be successful beyond those supported by defense-unique programs.

Elements of the shipbuilding industrial base are exploring opportunities and/or diversification initiatives such as the Advance Research Projects Agency (ARPA) program known as the Technology Reinvestment Program (TRP). Another, more comprehensive plan for the shipbuilding industry is the President's Strengthening America's Shipyards: A Plan for Competing in the International Market, that was submitted to the Congress in October 1993. The five-part plan is intended to assist efforts already in progress within the industry with the objective of making the industry competitive on an international basis. It is a transitional program and consistent with federal assistance to other industries seeking to convert from defense to civilian markets. ARPA will execute the program in collaboration with the Department of Transportation. Other initiatives within the Department of Defense, such as Acquisition Reform, Civilian-Military Integration, and Dual-Use Technology, have significant potential for assisting in industry's quest for gaining world class commercial shipbuilding programs. In addition to bolstering the industry from a technological and financial standpoint, there are certain economies from achieving these capabilities which will appreciably benefit Navy shipbuilding programs in the future.

V-22 Osprey

Question: When do you expect to obligate the \$15 million appropriated last year for R&D for a special operations variant of the V-22?

Answer: A portion of the \$15 million can be obligated as early as May 1994. These funds will be used to initiate the integrated USMC/SOF program. The balance of the \$15 million will be obligated in the first quarter of FY 1995 following the Defense Acquisition Board review of the program in September.

Question: The Marines have mentioned that they are considering requesting approximately \$1.5 billion to rehabilitate the aging fleet of CH-46s while we wait for the V-22s to come into service. Would you support such an initiative?

Answer: Our FY 1995 budget and the accompanying Future Years Defense Plan fully funds a Dynamic Component Improvement Program (DCUP) to restore the original lift capability to the CH-46 fleet (\$340 million through FY 1999). The Marine Corps will be completing a Service Life Assessment Program (SLAP) at the end of April to determine the need for any further upgrades to the CH-46 and CH-53 fleets. The SLAP study will relate the need for specific upgrades to alternative service entry points for the replacement aircraft. It is not expected that any funds for these upgrades would be necessary until after the turn of the century.

QUESTION: The Washington Post reported on Monday, Feb 28, that the UN Commander, Gen. Michael Rose had decided to move relief convoys throughout the country without asking permission from battling factions. If these convoys provoke fire from the Serbs, are you prepared to authorize use of US NATO warplanes to conduct air strikes to ensure the delivery of humanitarian aid? If not, would this then not amount to a continued de facto siege of Sarajevo?

ANSWER: General Rose did state that he would move convoys throughout the country without asking permission from the battling factions. On reflection, however, he elected not to follow through with this action, i.e. General Rose decided against "pushing through" a convoy. Had a situation developed, NATO aircraft were prepared to respond under established UN and NATO procedures for Close Air Support.

Reuse at Closing Bases

QUESTION: In my meeting with you on February 3, 1994, you advised that bids on new Navy repair work would be permissible under DoD policies if the new work fit into a reuse plan. If the plan brought into existence a reuse authority which could function independently of the shipyard and had the backing of private investors, would you allow such an entity to bid on DoD work? What would you consider to be the ideal entity for organizing the reuse effort so that some DoD work may act as a bridge to a viable commercial entity?

ANSWER: Your question potentially addresses two types of competition. First, before the shipyard closes in September of 1995, the shipyard could possibly bid on Navy repair work with other Navy shipyards. However, significant work packages can take up to a year to bid before award, so that does not appear to be a viable option. However, while the Navy must, by law, preserve the shipyard for emerging requirements, I understand the Navy is prepared to lease parts of the Philadelphia Shipyard to a duly

constituted reuse authority before the shipyard closes, and is prepared to lease the remaining parts which will come available after closure. Hence, a reuse authority could bid on Navy repair work as a private entity in competition with other private shipyards. These competitions would be based on the Federal Acquisition Regulations. The ideal entity would: be able to enter into a lease for portions of the shipyard; be able to maintain that portion of the shipyard; and be able (both in terms of skills and financing) to satisfactorily perform the repair work per the contract.

QUESTION: Is it your view that the US should play a leadership role in stemming the proliferation of sophisticated strategic and conventional weapons? By participating in the Singapore air show at a cost of \$575,000, is the US sending messages to those nations who seek to acquire sophisticated strategic and conventional weapons?

ANSWER: The US should play a leadership role in curbing destabilizing arms transfers. The US should also support arms transfers when they help meet national security and foreign policy objectives.

USG participation in the Singapore air show was in the national security interest since the strong US presence demonstrated our commitment to the Pacific region, contributed to our cooperative engagement strategy and helped enhance military-to-military contacts. Participation in this or any other exhibition, however, will not result in sales of US equipment that are destabilizing to the region in question, nor will it undermine the case-by-case review which the Defense and State Departments undertake before approving the sale of US equipment.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Redirection of Soviet Nuclear Scientists Toward Civilian Careers

QUESTION: What is being done by DoD and DOE to redirect Soviet nuclear scientists and engineers toward civilian and private sector careers in Russia, removing the temptation for them to work on bombs for places like Iraq?

ANSWER: The Cooperative Threat Reduction (CTR), or "Nunn-Lugar" program, is promoting U.S. nonproliferation objectives through the establishment of science and technology centers in Moscow and Kiev to employ Russian and Ukrainian weapon scientists in productive civilian endeavors. These will help prevent a potential brain drain from contributing to the global proliferation problem and, at the same time, is an investment in a demilitarized future for former Soviet scientists.

The International Science and Technology Center (ISTC), headquartered in Moscow, began operations on March 3, 1994. This followed the signing of a protocol document by the founding parties, the United States, the European Union, Japan, and the Russian Federation on December 27, 1993, that allowed the Center to open on a provisional basis pending ratification by the new Russian parliament. The U.S. has provided \$25 million to the ISTC through the CTR program, The European Union has provided \$25 million, Japan has provided \$17 million, and the Russian Federation has provided the headquarters facility. The objective of the ISTC is to prevent the proliferation of technology and expertise related to weapons of mass destruction (WMD) by providing peaceful employment opportunities to scientists and engineers formerly involved with WMD including their delivery systems. The ISTC Governing Board approved the first round of funding for ISTC projects during its inaugural meeting on March 17-18, 1994, in Moscow. A total of \$11.9 million dollars was committed to 23 projects involving more than 600 Russian scientists and engineers as well as hundreds of additional technical support personnel. The Governing Board also acted favorably on requests for membership in the ISTC from Armenia, Belarus, Canada, Finland, Georgia, Kazakhstan, and Sweden.

Secretary of State Christopher and representatives from Canada, Sweden, and Ukraine signed an Agreement to establish a Science and Technology Center (STCU) in Ukraine on October 25, 1993. The U.S. has pledged \$10 million to the STCU through the CTR program, Canada has pledged \$2 million, and Sweden has pledged \$1.5 million. The Ukrainian Government has indicated that they are now prepared to take executive action to complete the internal procedures required for the STCU Agreement to enter into force. We eagerly await word from Ukraine that these internal procedures have been completed. In the meantime, State Department is consulting with our partners (Canada, Sweden) and we are prepared to move things forward quickly over the coming months to get the STCU up and running.

BALLISTIC MISSILE DEFENSE ISSUES

QUESTION: The most successful example of U.S.-Russian defense industry cooperation is the TOPAZ space power project. After several years the project has shown how Russian and American engineers can do useful research with civilian applications. Will DoD continue to fund this pioneer program?

ANSWER: The TOPAZ space power project continues to be an excellent example of cooperation and defense conversion activities between the United States and Russia. As a result of the Bottom Up Review, FY 1994 Defense Authorization and Appropriations Acts, the Ballistic Missile Defense Organization (BMDO) sharply focused its activities on its core programs. BMDO now executes a technology

readiness program for National Missile Defense, a vigorous acquisition program for theater ballistic missile defense, and each grounded by technology investments that will deliver components and systems for the next generations of ballistic missile defenses.

The TOPAZ thermionic power system, could produce deployable power sources in cases where the economics of relatively high power requirements favor nuclear power generation over solar cell technology. They were contemplated as alternatives for large scale active sensors. However, BMDO emphasis on acquisition of theater defense systems reduces the immediate value of such technology investments to the projected BMD architecture.

As a result, and in response to Congressional direction, BMDO is prepared to transfer management and funding responsibility for the co-operative TOPAZ space nuclear power project to the Air Force. Pending Department approval, this transition will be performed so as to minimize disruption to the ongoing nonnuclear testing and evaluation activities. Funds currently budgeted for power technology in the FY 1994/1995 BMDO budget submittal will be reallocated or suballocated to the Air Force to fund this activity. FY 1996 and outyear funding will be transferred to the Air Force and will appear in the Air Force budget submissions.

Question: What is the status of the overall Nunn-Lugar program? Why are the periodic reports to congress so late? As we meet today, Congress has not received the last two quarterly reports for 1993, as required by law.

Answer: Of the \$800 million in FY92 and FY93 transfer authority provided to DoD under the Nunn-Lugar legislation, Congress has been notified of the intent to obligate up to \$790 million for projects of assistance to Belarus, Kazakhstan, Russia and Ukraine. Through December of 1993, the Department of Defense has signed agreements totaling up to \$731 million in assistance.

As a result of our diplomacy, in which the Nunn-Lugar program has provided critical leverage and reinforcement, Belarus, Kazakhstan, and Ukraine have agreed to denuclearize completely, removing all nuclear weapons from their territories in the shortest possible time. All three countries have ratified the START I Treaty, Belarus and Kazakhstan have acceded to the Non-Proliferation Treaty as non-nuclear weapons states, and Ukraine has committed to accede to the Non-Proliferation Treaty.

I apologize for the delay in submitting the last Quarterly Report for FY 1993. As you are aware, the discussions which the US began with the FSU states eligible to receive Nunn-Lugar funds nearly two years ago, in some cases, have just produced results in the last few months. It was only in December that Ukraine and Kazakhstan accepted US Nunn-Lugar assistance for missile and silo dismantlement and other purposes. In fact, since the last quarterly report there has been extraordinary progress in the Nunn-Lugar program with the negotiation and signature of nearly 20 project implementing agreements. The success of the program over the last quarter of FY 1993 results in a particularly positive report which we are anxious to provide to meet Congressional oversight requirements. The delay in providing the report has been due to administrative and coordination problems which have been resolved. This report is in the final stages of preparation and will be submitted very shortly.

SUBCOMMITTEE RECESS

Senator INOUE. The subcommittee stands in recess until Tuesday, March 8, when we will receive testimony from the Chairman of the Joint Chiefs of Staff, Gen. John Shalikashvili.

[Whereupon, at 5:24 p.m., Tuesday, March 1, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 8.]